public
accounts
2002-03

volume 4 — the financial statements of funds, organizations, agencies and enterprises included in the government reporting entity

Manitoba

for the year ended March 31, 2003

104-05511/

VOLUME 4

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INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA

The Public Accounts of the Province of Manitoba are prepared by statutory requirement, in accordance with the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts for the fiscal year ended March 31, 2003 consist of four volumes:

Volume 1

- This is included in the government's Annual Report
- Section 1 focuses on the entire reporting entity and includes the Summary Financial Statements of the government.
- Section 2 consists of the special purpose financial statements prepared for the Operating Fund. This section focuses on the government's stewardship over the assets and operations of central government. Performance is related to the legislative authorities provided by the annual appropriation of funds by the Legislature through the Estimates process.

Volume 2

- Contains the audited Schedule of Public Sector Compensation Payments of $50,000 or more as paid through the Consolidated Fund as well as those paid by Special Operating Agencies.
- Contains details of unaudited Consolidated Fund and Special Operating Agencies payments in excess of $5,000 to corporations, firms, individuals, other governments and government agencies.

Volume 3

- Contains the details of the Operating Fund Financial Statements.
- Contains the details of the Operating Fund borrowings and guarantees.
- Contains the details of the Operating Fund revenue and expense.
- Contains information provided under Statutory Requirement.
- Contains information concerning certain Operating Fund financial indicators.
- Contains glossary information.

These statements are all unaudited with the exception of the following:

- The Report of Amounts Paid to Members of the Assembly; and
- The Northern Affairs Fund

Volume 4

- Contains the audited financial statements of funds, organizations, agencies and enterprises included in the Government Reporting Entity.

VOLUME 4

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SPECIAL FUNDS

THE ABANDONMENT FUND RESERVE
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2003
(with comparative figures for the year ended March 31, 2002)

	2003 $	2002 $
Balance, beginning of year	263,887	187,597
RECEIPTS:		
Royalties	106,627	48,700
Other Recoveries	94,496	22,490
Interest	4,399	5,347
	205,522	76,537
DISBURSEMENTS:		
Rehabilitation payments	318,544	247
Balance, end of year	150,865	263,887

DEBT RETIREMENT FUND

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management of the Department of Finance and have been prepared in accordance with generally accepted accounting principles. These accounting principles have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding estimates and all other data available up to September 22, 2003.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to properly safeguard assets of the Fund.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

Deputy Minister of Finance
September 22, 2003

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

I have audited the statement of financial position of the Debt Retirement Fund as at March 31, 2003 and the statement of revenue and fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jon W. Singleton, CA•CISA
Auditor General

Winnipeg, Manitoba
September 22, 2003

DEBT RETIREMENT FUND
STATEMENT OF FINANCIAL POSITION

As at March 31, 2003
(in thousands)

	2003 $	2002 $
ASSETS		
Funds on Deposit with the Minister of Finance	151,850	100,444
FUND BALANCE		
Fund Balance	151,850	100,444

DEBT RETIREMENT FUND
STATEMENT OF REVENUE AND FUND BALANCE

For the Year Ended March 31, 2003
(with comparative figures for the year ended March 31, 2002)
(in thousands)

	2003 $	2002 $
Revenue		
Interest Income	3,228	3,860
Fund Balance, beginning of year	100,444	75,227
	103,672	79,087
Transfers		
Transfer from the Operating Fund (Note 2)	96,357	96,357
Transfers for (Note 2):		
- Pension Obligation	48,179	75,000
	48,178	21,357
Fund Balance, end of year	151,850	100,444

DEBT RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2003

1. Incorporation and Function

The Debt Retirement Fund was established under the authority of the Balanced Budget, Debt Repayment and Taxpayer Protection Act, which received Royal Assent on November 3, 1995. The purpose of the Fund was to assist in the orderly repayment of debt pursuant with sections 8(4) and 8(6) of the Act.

On August 18, 2000, the Balanced Budget, Debt Repayment and Taxpayer Protection Amendment and Consequential Amendments Act was passed amending The Balanced Budget, Debt Repayment and Taxpayer Protection Act, with related amendments to The Fiscal Stabilization Fund Act and The Financial Administration Act. The Bill changed the name of the Act to The Balanced Budget, Debt Repayment and Taxpayer Accountability Act. This Act is deemed to have come into force on April 1, 2000 and applies to fiscal years commencing after March 31, 2000.

2. Transfer for Debt Retirement and Pension Obligation

The government transferred $96 million to the Debt Retirement Fund from the Operating Fund in 2002/03 for the specific purpose of reducing general purpose debt and pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. The transfer was made in accordance with subsection 8(4) of The Balanced Budget, Debt Repayment and Taxpayer Accountability Act. In accordance with subsection 8(6) of the Balanced Budget, Debt Repayment and Taxpayer Accountability Act, the Debt Retirement Fund Allocation Committee allocated $48 million to pension liabilities for 2002/03. This amount was transferred to the Pension Asset Fund for the specific purpose of reducing pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund.

3. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

Manitoba Agriculture and Food
Elk Management Fund

Balance Sheet

As at March 31, 2003
(with 2002 figures for comparison)

		2003	2002
Assets - Note 1, 3, 5			
	Funds on deposit with the Province	$ 250,273	$ 163,623
Liabilities and Fund Balance			
	Contractor liability - Note 5	250,000	163,623
	Loan Advance from the Province - Note 4, 6	1,730,820	1,381,830
		1,980,820	1,545,453
	Opening Accumulated Fund Balance - Note 2,4	(1,381,830)	(750,572)
	Current Year's Deficit	($348,717)	(631,258)
	Ending Accumulated Fund Balance - Note 2,4	($1,730,547)	($1,381,830)
		$ 250,273	$ 163,623

Statement of Revenue and Expenditures

For the Year Ended March 31, 2003
(with 2002 figures for comparison)

		2003	2002
Revenue - Note 3			
	License Fees	5,600	3,300
Expenditures - Note 1			
	Holding	72,021	
	Feed	55,524	
	Testing	4,801	
	Veterinary	3,814	
	Administration	40,550	68,443
	Interest	62,457	47,369
	Total Expenditures	239,167	115,812
	Less: Recovery of Expenditures	31,500	
	Net Expenditures	207,667	115,812
Excess of Expenditures over Revenue before the following:		(202,067)	(112,512)
Settlement of Claim - Note 5		(146,650)	
Excess of Expenditures over Revenue before Extraordinary Loss		(348,717)	(112,512)
Extraordinary loss			
Loss on Recovery of Expenditures			(96,196)
Loss on Writedown of Inventory to Current Net Realizable Value			(422,550)
Net Expenditures over Revenue after Extraordinary Loss		($348,717)	($631,258)

Notes to Financial Statements

For the Year Ended March 31, 2003

1. **Significant Accounting Policies**
   (a) The financial statements of the fund are prepared using the accrual basis of accounting.
   (b) Expenditures related to the capture and holding of elk is capitalized as inventory and is expensed when the corresponding revenue, from the dispersal of the captured elk, is recognized.

2. **Nature of Fund**

The Elk Management Fund was established under the authority of the Livestock Industry Diversification Act and the Elk Game Production Regulation. The Minister established a management fund for the purpose of funding:

(a) Programs for the protection and enhancement of elk and their habitat.
(b) The capture of elk from the wild, and their maintenance and disposition.
(c) Elk research programs and demonstration projects.
(c) Costs associated with administering the Act.

Activities of the Elk Management Fund have been wound down as at March 31, 2003 with the exception of the contractor liability payment, which will be made with the Funds on Deposit. The balance of the Funds on Deposit will be returned to the Province in the 2003/04 Fiscal Year.

3. **Sale of Elk**

There was no elk sale for the fiscal period just ended. The proceeds from the elk sale held in March, 2002 have been set aside to be included as part of the expected obligations with MFNEBC.

4. **Loan Advance Province of Manitoba**

Interest is charged at prime plus two per cent per annum. Repayment obligation of the advances ($1,730,820) received from the Province is expected to be removed. The loan advance receivable within the Consolidated Fund of the Province would be written off against the contra valuation allowance account.

5. **Contractor Liability**

This liability is a result of obligations the Fund has incurred as a result of settlement with MFNEBC and payment will be made in the next fiscal year.

6. **Valuation Allowance**

Any provincial expenditure (recovery) entry for a valuation allowance is recorded in the Department's appropriation - Animal Industry (4B).

THE FARM MACHINERY AND EQUIPMENT ACT FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2003
(with comparative figures for the year ended March 31, 2002)

	2003 $	2002 $
Balance, beginning of year	454,286	454,286
RECEIPTS:		
Premiums	-	-
DISBURSEMENTS:		
Claims	-	-
Balance, end of year	454,286	454,286

FISCAL STABILIZATION FUND

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management of the Department of Finance and have been prepared in accordance with generally accepted accounting principles. These accounting principles have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding estimates and all other data available up to September 22, 2003.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to properly safeguard assets of the Fund.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

Deputy Minister of Finance
September 22, 2003

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

I have audited the statement of financial position of the Fiscal Stabilization Fund as at March 31, 2003 and the statement of revenue and fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jon W. Singleton, CA•CISA
Auditor General

Winnipeg, Manitoba
September 22, 2003

FISCAL STABILIZATION FUND
STATEMENT OF FINANCIAL POSITION

As at March 31, 2003
(in thousands)

	2003 $	2002 $
ASSETS		
Funds on Deposit with the Minister of Finance	235,514	247,254
FUND BALANCE		
Fund Balance	235,514	247,254

FISCAL STABILIZATION FUND
STATEMENT OF REVENUE AND FUND BALANCE

For the Year Ended March 31, 2003
(with comparative figures for the year ended March 31, 2002)
(in thousands)

	2003 $	2002 $
Revenue		
Interest Income	7,003	13,922
Fund Balance, beginning of year	247,254	320,494
	254,257	334,416
Transfers		
Transfer from the Operating Fund (Note 2)	3,519	62,838
Transfer to the Operating Fund (Note 3)	22,262	150,000
	(18,743)	(87,162)
Fund Balance, end of year	235,514	247,254

FISCAL STABILIZATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2003

1. Incorporation and Function

The Fiscal Stabilization Fund was established at March 31, 1989, under the authority of The Fiscal Stabilization Fund Act, which received Royal Assent on December 13, 1989. The legislated purpose of the Fund is to assist in stabilizing the fiscal position of the government from year to year and to improve long-term fiscal planning. Under the provisions of the Act, the government may deposit in the Fund any part of the revenue or other financial assets received in the Operating Fund in any fiscal year and shall credit to the Stabilization Fund any earnings from investment of the Stabilization Fund. All or part of the fund balance can be transferred to the Operating Fund in accordance with the provisions of the Act.

On August 18, 2000, the Balanced Budget, Debt Repayment and Taxpayer Protection Amendment and Consequential Amendments Act was passed amending The Balanced Budget, Debt Repayment and Taxpayer Protection Act, with related amendments to The Fiscal Stabilization Fund Act and The Financial Administration Act.

2. Transfer from the Operating Fund

The Balanced Budget, Debt Repayment and Taxpayer Accountability Act and The Fiscal Stabilization Fund Act require any Operating Fund positive balance to be transferred to the Fund until its target level is reached. The Minister of Finance has the authority to transfer additional positive balances to the Fund as he considers appropriate. The target level for the Fiscal Stabilization Fund is a minimum of 5% of the expenses of the Operating Fund or approximately $347 million, based on 2002-2003 expenses. As reported in the Public Accounts of the Province of Manitoba for 2002-2003, the Operating Fund had a positive balance of $4 million which was transferred to the Fiscal Stabilization Fund.

3. Transfer to the Operating Fund

Under section 4 of The Fiscal Stabilization Fund Act, the Minister of Finance, with the approval of the Lieutenant Governor in Council, may transfer once in each fiscal year all or any amounts standing to the credit of the Fund to the Operating Fund to assist in stabilizing the fiscal position of the government. The actual draw from the Fiscal Stabilization Fund for the 2002-2003 fiscal year was $23 million.

4. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

LAND TITLES ASSURANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2003
(with comparative figures for the year ended March 31, 2002)

	2003 $	2002 $
Balance, beginning of year	369,735	300,414
RECEIPTS:		
Fees	32,802	69,321
DISBURSEMENTS:		
Payments	-	-
Balance, end of year	402,537	369,735

MANITOBA LAW REFORM COMMISSION
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2003
(with comparative figures for the year ended March 31, 2002)

	2003 $	2002 $
Balance, beginning of year	3,108	17,064
RECEIPTS:		
Department of Justice	60,000	60,500
Manitoba Law Foundation	100,000	65,000
	160,000	125,500
DISBURSEMENTS:		
Operating expenses	134,250	139,456
Balance, end of year	28,858	3,108

THE MINING COMMUNITY RESERVE
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2003
(with comparative figures for the year ended March 31, 2002)

	2003 $	2002 $
Balance, beginning of year	18,058,090	19,519,918
RECEIPTS:		
Transfer of Mining Tax Revenues	463,589	226,295
Interest received during the year	444,547	664,748
	908,136	891,043
DISBURSEMENTS:		
Hudson Bay Mining and Smelting Company Ltd	-	257,664
Local Government District of Lynn Lake	-	-
Ruttan Worker Adjustment Committee	750,000	40,000
Town of Leaf Rapids	391,450	-
Town of Lynn Lake	37,318	15,000
Transfer to General Revenue	2,551,681	2,040,207
	3,730,449	2,352,871
Balance, end of year	15,235,777	18,058,090

THE MINING REHABILITATION FUND RESERVE
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2003
(with comparative figures for the year ended March 31, 2002)

	2003 $	2002 $
Balance, beginning of year	23,003	22,233
RECEIPTS:		
Royalties	10,000	-
Interest	591	770
	10,591	770
Balance, end of year	33,594	23,003

PENSION ASSETS FUND
STATEMENT OF FINANCIAL POSITION

As at March 31, 2003

	2003 $	2002 $
ASSETS		
Funds on Deposit:		
Minister of Finance (Note 2a)	129,012	
Civil Service Superannuation Fund (Note 2b)	72,214,104	50,612,775
Teacher's Retirement Allowances Fund (Note 2c)	78,364,273	56,466,987
	150,707,389	107,079,762
FUND BALANCE		
Fund Balance	150,707,389	107,079,762

PENSION ASSETS FUND
STATEMENT OF RECEIPTS, EXPENSES AND FUND BALANCE

For the Year Ended March 31, 2003

	2003 $	2002 $
RECEIPTS		
Contributions:		
Debt Retirement Fund (Note 3a)	48,178,500	75,000,000
Special Operating Agencies (Note 3b)	1,672,763	8,553,591
Operating Fund (Note 3c)	101,886	-
Crown Organizations (Note 3c)	26,816	-
Investment earnings (loss)	(6,139,815)	2,163,509
	43,840,150	85,717,100
DISBURSEMENTS		
Management fees	212,523	32,034
Excess of receipts over disbursements	43,627,627	85,685,066
Fund Balance, beginning of year	107,079,762	21,394,696
Fund Balance, end of year	150,707,389	107,079,762

PENSION ASSETS FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2003

1. Incorporation and Function

The Pension Assets Fund was established under the authority of The Balanced Budget, Debt Repayment and Taxpayer Accountability Act. The purpose of the Fund was to set aside designated assets, pursuant to section 8 of the Act, for the future retirement of the government's pension liability.

2. Funds on Deposit

a) Funds on deposit with the Minister of Finance are pooled with other available funds of the Province for investment purposes and are accorded a market rate of interest.

b) Under the terms of a March 6, 2001 agreement between the Province and the Civil Service Superannuation Board, a trust fund was established with the Board for the purpose of holding and investing funds received from the Province. This trust account earns investment income at a rate equal to the rate of return earned by the Civil Service Superannuation Fund, and is charged an investment management fee for the services provided.

c) Under the terms of a September 13, 2001 agreement between the Province and the Teachers' Retirement Allowances Fund, a trust fund was established with the Fund for the purpose of holding and investing funds received from the Province. This trust account earns investment income at a rate equal to the rate of return earned by the Teachers' Retirement Allowances Fund, and is charged an investment management fee for the services provided.

3. Contributions

a) The government transferred $48 million (2002 – $75 million) to the Pension Assets Fund from the Debt Retirement Fund for the specific purpose of reducing pension obligations. This transfer was made in accordance with subsection 8(6) of the Balanced Budget, Debt Repayment and Taxpayer Accountability Act.

b) Effective March 31, 2001, pursuant to an agreement between the Province and Special Operating Agencies (SOAs) with unfunded pension liabilities, the pension liabilities of those agencies were transferred to the Province subject to certain conditions. The SOAs transferred to the Province funds equal to the net assets required to discharge their pension obligations as at March 31, 2001, and commencing April 1, 2001 are required to remit to the Province an amount equal to their employees' current pension contributions.

c) Effective October 1, 2002, government departments and certain crown organizations are required to provide amounts equal to their new employees' current pension contributions.

4. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

THE QUARRY REHABILITATION RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2003
(with comparative figures for the year ended March 31, 2002)

	2003 $	2002 $
Balance, beginning of year	5,394,615	4,985,354
RECEIPTS:		
Royalties	1,431,902	1,499,661
Interest	120,829	144,968
	1,552,731	1,644,629
DISBURSEMENTS:		
Rehabilitation payments	1,440,439	1,235,368
Balance, end of year	5,506,907	5,394,615

THE VETERINARY SCIENCE SCHOLARSHIP FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2003
(with comparative figures for the year ended March 31, 2002)

	2003 $	2002 $
Balance, beginning of year	25	7,895
RECEIPTS:		
Department of Agriculture - Veterinary Services Branch	11,700	7,800
Repayment of bursaries	6,255	6,300
	17,955	14,100
DISBURSEMENTS:		
Payment of bursaries awarded under the Veterinary Science Scholarship Act	15,360	21,970
Balance, end of year	2,620	25

VICTIMS ASSISTANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2003
(with comparative figures for the year ended March 31, 2002)

	2003 $	2002 $
Balance, beginning of year	1,543,397	1,254,761
RECEIPTS:		
Surcharge on Provincial Fines	1,638,509	1,309,307
Interest	27,700	23,657
Miscellaneous	-	-
	1,666,209	1,332,964
DISBURSEMENTS:		
Operating expenses	1,172,257	1,044,328
Balance, end of year	2,037,349	1,543,397

CROWN ORGANIZATIONS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
One Lombard Place
Suite 2300
Winnipeg Manitoba
Canada R3B 0X6
Telephone +1 (204) 926 2400
Facsimile +1 (204) 944 1020

May 23, 2003

Auditors' Report

To the Board of Governors of
Addictions Foundation of Manitoba

We have audited the balance sheet of **Addictions Foundation of Manitoba** as at March 31, 2003 and the statements of revenue and expenditures, changes in net assets, and cash receipts and cash disbursements for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies described in note 2 to the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Addictions Foundation of Manitoba

(incorporated under the laws of Manitoba)
Balance Sheet
As at March 31, 2003

	2003 $	2002 $
Assets		
Current assets		
Cash	1,260,880	1,323,667
Accounts receivable	195,444	210,331
Prepaid insurance	12,740	9,297
Total current assets	1,469,064	1,543,295
Capital assets (note 3)	2,914,658	3,027,372
Province of Manitoba vacation pay receivable (note 2)	667,567	667,567
Province of Manitoba severance pay receivable (note 2)	1,153,316	1,153,316
Province of Manitoba long-term pension funding commitments (note 2)	11,375,070	10,460,029
Total non-current assets	16,110,611	15,308,284
Total assets	17,579,675	16,851,579
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	385,363	386,319
Accrued vacation pay (note 2)	937,491	746,093
Deferred contributions (note 4)	101,500	17,725
Total current liabilities	1,424,354	1,150,137
Accrued severance pay (note 2)	1,334,821	1,300,699
Provision for employee pension benefits (note 2)	11,375,070	10,460,029
Total non-current liabilities	12,709,891	11,760,728
Total liabilities	14,134,245	12,910,865
Net Assets		
Net assets invested in capital assets	2,914,658	3,027,372
Net assets internally restricted (note 5)	776,800	875,900
Unrestricted net assets	(246,028)	37,442
	3,445,430	3,940,714
	17,579,675	16,851,579

Approved by the Board of Governors

_______________ Chairman

BGKramble _______________ Treasurer

Addictions Foundation of Manitoba

Statement of Revenue and Expenditures

For the year ended March 31, 2003

	2003 $	2002 $
Revenue		
Government of the Province of Manitoba operating grant	11,741,600	11,511,600
Government of the Province of Manitoba long-term pension revenue (note 2)	915,041	904,414
Other revenue		
Impaired Drivers Program fees	571,625	611,585
Manitoba Lotteries Corporation Funding	1,811,900	1,753,800
School Support Program	237,600	123,900
Recovery of wages, medical and treatment services and travel expenditures	593,114	642,507
Training course fees	92,387	124,997
Donations	10,803	19,489
Interest	54,232	65,789
Property rental	30,125	18,531
Manitoba Health capital funding	92,987	47,065
Parking rentals	17,929	18,372
Manitoba Government Employees' Union	3,427	6,103
Miscellaneous	13,818	13,855
Conferences	47,357	-
Youth Residential Programs	301,526	336,425
	16,535,471	16,198,432
Expenditures (Schedule)	17,030,755	16,166,186
Excess (deficiency) of revenue over expenditures	(495,284)	32,246

Addictions Foundation of Manitoba

Schedule of Expenditures

For the year ended March 31, 2003

	2003 $	2002 $
Salaries	9,186,725	8,928,980
Wages	1,659,713	1,301,209
Advertising and exhibits	65,979	56,615
Amortization	198,846	195,445
Audio-visual aids	23,495	16,580
Audit	8,750	8,350
Board of Governors' honorarium	12,579	10,796
Books, newspapers and periodicals	31,114	37,880
Courier and freight	26,835	21,173
Educational literature	113,788	139,571
Employee benefits	997,474	916,364
Fees	370,681	574,147
Food supplies	296,070	274,888
Health and post secondary education tax levy	230,031	217,540
Household supplies	67,261	68,427
Materials, repairs and maintenance	538,771	367,378
Medical services and supplies	233,654	217,300
Miscellaneous	13,770	19,471
Pension (note 2)	1,344,445	1,292,235
Postage and telephone	288,435	288,518
Printing, stationery and office supplies	248,892	221,548
Rent, insurance and property taxes	351,719	322,420
Staff development	57,494	76,441
Training	26,458	15,811
Transportation of patients	15,884	15,097
Travel and automobile	437,025	361,980
Utilities	184,867	200,022
	17,030,755	16,166,186

Addictions Foundation of Manitoba

Statement of Changes in Net Assets

For the year ended March 31, 2003

				2003	2002
	Invested in capital assets $	**Internally restricted $**	**Unrestricted $**	**Total $**	**Total $**
Balance - Beginning of year	3,027,372	875,900	37,442	3,940,714	3,908,468
Excess (deficiency) of revenue over expenditures	(198,846)	-	(296,438)	(495,284)	32,246
Investment in capital assets	86,132	(86,132)	-	-	-
Internally imposed restrictions (note 5)	-	(12,968)	12,968	-	-
Balance - End of year	2,914,658	776,800	(246,028)	3,445,430	3,940,714

Addictions Foundation of Manitoba

Statement of Cash Receipts and Cash Disbursements

For the year ended March 31, 2003

	2003 $	2002 $
Cash provided by (used in)		
Operating activities		
Cash receipts from the Government of the Province of Manitoba	11,741,600	11,511,600
Other cash receipts	3,977,492	3,742,130
Cash paid to employees and suppliers	(15,695,747)	(14,880,471)
	23,345	373,259
Investing activities		
Purchase of capital assets	(86,132)	(138,192)
Excess (deficiency) of cash receipts over cash disbursements	(62,787)	235,067
Cash - Beginning of year	1,323,667	1,088,600
Cash - End of year	1,260,880	1,323,667

1 Nature of the Foundation

The Foundation is incorporated under the Addictions Foundation of Manitoba Act. The Foundation is the provincial authority responsible for providing prevention, education and treatment programs related to addictions to individuals and communities; for conducting research into the negative effects of addictions; and in so doing, for promoting the health and well-being of Manitobans. The Foundation is a registered charity within the meaning of the Income Tax Act.

2 Significant accounting policies

a) Government of the Province of Manitoba accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles except as in the following areas:

Net assets internally restricted

Net assets internally restricted represent commitments for future expenditures on projects and capital expenditures approved in the current year. At the time the commitments are settled, expenditures are recorded in the balance sheet or statement of revenue and expenditures as appropriate and the restrictions are reversed.

Province of Manitoba vacation pay receivable

The Foundation was instructed by the Province of Manitoba to record a receivable from the Province and accrue vacation pay liability as at March 31, 1995 for the amount of $667,567. Any subsequent variances in the vacation pay liability are recorded in the statement of revenue and expenditures as the receivable from the Province will remain fixed.

Province of Manitoba severance pay receivable

The Foundation is obligated to pay its employees severance pay upon their retirement. The amount to be paid is based on several factors such as salary and years of service.

The Foundation was instructed by the Province of Manitoba to record a receivable from the Province and accrue severance pay liability as at April 1, 1998 for the amount of $1,153,316. Any subsequent variances in the severance pay liability are recorded in the statement of revenue and expenditures as the receivable from the Province will remain fixed. The accrued severance pay liability is determined based on actuarial probability factors established by the Province of Manitoba Civil Service Superannuation Board.

Province of Manitoba long-term pension funding commitments

The Foundation was instructed by the Province of Manitoba to record a receivable from the Province and accrue a provision for pension costs as at April 1, 2000 for the amount of $8,825,248. The increase in the pension receivable is recorded as Government of the Province of Manitoba long-term pension revenue.

Pension costs

In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Foundation contributes 50% of the pension disbursements made to retired employees. Pension costs for the year include this contribution as well as the increase in unfunded pension liability during the fiscal year.

The pension liability is determined actuarially every three years with the liability for the intervening years being determined by formulas provided by the actuary. The most recent valuation was completed as at December 31, 2001.

For all new employees hired on or after October 1, 2002, the Foundation is required to pay to the Government of Manitoba an equivalent contribution as follows:

- 5.1% at pensionable earnings up to yearly maximum pensionable earnings (ympe); plus
- 7% on pensionable earnings in excess of ympe.

The Foundation recognizes a reduction in the Government of the Province of Manitoba long-term pension revenue for this equivalent contribution as incurred.

b) Capital assets

Purchased capital assets are recorded at cost and contributed capital assets are recorded at their fair value at the date of contribution. Amortization is provided at the following annual rates:

Buildings	5% declining
Computer equipment	30% declining
Furniture and equipment	20% declining
Leasehold improvements	5% declining

c) Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

3 Capital assets

	2003		2002	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Land	535,065	-	535,065	-
Buildings	3,867,430	2,275,302	3,867,430	2,191,178
Computer equipment	497,947	284,687	411,815	211,746
Furniture and equipment	145,695	87,120	145,695	72,477
Leasehold improvements	621,425	105,795	621,425	78,657
	5,667,562	2,752,904	5,581,430	2,554,058
Net book value		2,914,658		3,027,372

4 Deferred contributions

Deferred contributions represent restricted operating funding received in the current period that is related to the subsequent period. Changes in deferred contribution balance are as follows:

	2003 $	2002 $
Balance - beginning of year	17,725	-
Less: Amount recognized as revenue in the year	(17,725)	-
Add: Amount received related to the following year	101,500	17,725
Balance - end of year	101,500	17,725

5 Net assets internally restricted

	2003 $	2002 $
Balance - beginning of year	875,900	664,000
Operations		
Internal restrictions applied in current year	(113,732)	(239,000)
Internal restrictions for future years	14,632	450,900
	(99,100)	211,900
Balance - end of year	776,800	875,900

Restrictions have been made for the following:

	2003 $	2002 $
Client Database Software Project	30,000	30,000
Human Resource Information System Project	-	12,900
Information Technology Plan - expansion	-	155,400
Ontario Health Referrals potential cancellation	325,000	325,000
Pathways to a Healthier Workplace Conference	21,900	14,800
Provincial Technology Program	100,000	100,000
Women Services Inventory Project	-	14,700
Youth Residential Program - Stabilization Fund	100,000	100,000
Youth Services	199,900	123,100
	776,800	875,900

6 Commitments

Leases

The Foundation leases buildings and equipment under long-term operating leases which expire at various dates between 2003 and 2012. Some of these leases contain renewal options at rates to be negotiated. The following is a schedule by years of future minimum rental repayments required under operating leases that have initial lease terms in excess of one year, as of March 31, 2003:

	$
2004	137,200
2005	113,608
2006	84,975
2007	66,121
2008 - 2012	108,963
	510,867

7 Contingent liability

There is one legal claim against the Foundation. The potential liability, if any, to the Foundation is currently not determinable.

ASSINIBOINE COMMUNITY COLLEGE

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
JUNE 30, 2002

The accompanying financial statements of Assiniboine Community College and all the information in this annual report are the responsibility of management and have been approved by the Board of Governors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The College maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the College's assets are appropriately accounted for and adequately safeguarded.

The Board of Governors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board of Governors reviews the College's financial statements and recommends their approval. The Board meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and external auditor's report. The Board also considers, for approval by the College, the engagement of the external auditors.

The financial statements have been audited by Meyers Norris Penny LLP in accordance with Canadian generally accepted auditing standards on behalf of the College. Meyers Norris Penny LLP have full and free access to the Board of Governors and the financial records.

Board Member M Patten

Board Member

MNP
MEYERS NORRIS PENNY LLP

To the Members of the Board
Assiniboine Community College

AUDITORS' REPORT

We have audited the statement of financial position of Assiniboine Community College as at June 30, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2002 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP
Chartered Accountants

Brandon, Manitoba
August 19, 2002

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2002
(in thousand $)

ASSETS	2002	2001 (Restated)
CURRENT		
Cash and short term investments (note 3)	1,198	1,224
Accounts receivable (note 4)	606	867
Due from Province of Manitoba (note 5)	511	511
Inventories (note 6)	434	316
Prepaids	446	363
	3,195	3,281
NON-CURRENT		
Due from Province of Manitoba (note 5)	1,999	1,999
CAPITAL ASSETS (note 7)		
Land, buildings and equipment	5,228	4,084
Library holdings	959	959
	6,187	5,043
	11,381	10,323

LIABILITIES AND NET ASSETS	2002	2001 (Restated)
CURRENT		
Accounts payable and accrued liabilities (note 8)	2,059	2,124
Deferred revenue (note 9)	836	400
	2,895	2,524
NON-CURRENT		
Accrued severance liability	1,431	1,392
DEFERRED CONTRIBUTIONS		
Deferred contributions related to capital assets (note 10)	2,550	2,070
NET ASSETS		
Net assets invested in capital assets	6,801	4,966
Net assets internally restricted (note 11)	959	804
Unrestricted net assets	(3,255)	(1,433)
	4,505	4,337
	11,381	10,323

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2002
(in thousand $)

	Budget (unaudited)	2002	2001 (Restated)
REVENUES			
Academic training fees	2,390	2,402	2,241
Grants	15,126	15,165	13,817
Market driven training	1,100	2,016	1,206
Continuing education	751	700	670
Ancillary services (bookstore)	1,000	1,162	875
Apprenticeship training	1,199	1,179	1,167
Other revenue	328	338	411
Amortization of deferred contributions	679	691	656
	22,573	23,653	21,043
EXPENDITURES			
Academic	13,619	13,768	12,328
Administration	4,594	4,644	3,713
Program support	951	955	767
Plant	339	361	1,227
Management information services	858	867	931
Library	282	292	297
Ancillary services	831	986	728
Amortization of capital assets	1,108	1,209	1,049
	22,582	23,082	21,040
EXCESS / (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER ITEM	(9)	571	3
OTHER ITEM			
Capital Grant Adjustment		(403)	
EXCESS / (DEFICIENCY) OF REVENUES OVER EXPENDITURES AFTER OTHER ITEM	(9)	168	3

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2002
(in thousand $)

	INVESTED IN CAPITAL ASSETS	INTERNALLY RESTRICTED	UNRESTRICTED	2002 TOTAL	2001 TOTAL (Restated)
Balance - beginning of year	4,966	804	(1,433)	4,337	4,286
Excess of revenues over expenditures	-	-	168	168	3
Add: amortization of deferred contributions	691	-	(691)	-	-
Less: amortization of capital assets	(1,209)	-	1,209	-	-
Change in internally restricted net assets	-	155	(155)	-	-
Donated Assets	48	-	(48)	-	48
Investment in capital assets	2,305	-	(2,305)	-	-
Balance - end of year	6,801	959	(3,255)	4,505	4,337

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2002
(in thousand $)

	2002	2001 (Restated)
Operating activities		
Excess of revenues over expenditures	168	3
Amortization of capital assets	1,209	1,049
Amortization of deferred capital contributions	(691)	(656)
Loss on disposal of capital assets	-	45
Change in non-cash working capital items	471	(512)
Net cash generated (used) through operating activities	**1,157**	**(71)**
Financing and investing activities		
Purchase of capital assets	(2,305)	(1,621)
Contributions received for capital purposes	1,125	598
Decrease in deferred contributions	(3)	(4)
Net cash used in financing and investing activities	**(1,183)**	**(1,027)**
Net increase (decrease) in cash and short term investments	**(26)**	**(1,098)**
Cash and short term investments, beginning of year	1,224	2,322
Cash and short term investments, end of year	1,198	1,224

ASSINIBOINE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002
(in thousand $)

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1. OPERATIONS

Assiniboine Community College operates under the authority of The Colleges Act, Chapter C150.1 of the Continuing Consolidation of the Statutes of Manitoba and is a registered charity under the *Income Tax Act*.

In accordance with the activities or objectives specified by donors and other sources outside the College, and in keeping with their mandate to operate the College, the Board of Governors may approve transfers between funds to achieve the financial objectives of the College. Effective June 1998, the Assiniboine Community College Foundation was created to administer the collection and disbursement of endowment funds and undertake fundraising events.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles for non-profit organizations and recommendations set forth by the Canadian Association of University Business Officers. Significant accounting policies are as follows:

INVESTMENTS

Investments are recorded at the lower of cost or market value.

INVENTORIES

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization is provided using the straight-line method at 20% per annum. No amortization is taken in the year of acquisition. Contributed capital assets are recorded at the fair value at the date of contribution.

A base library was established as at April 1, 1993. Library holdings are accounted for using the "base stock" method with current library acquisitions not capitalized because annual library acquisitions net of annual library dispositions are not significant.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. The College evaluates all leases at the inception of the lease agreement to determine if it should be classified as a capital or operating lease. Where a capital lease is identified, the amount of the payment made each year is capitalized and amortized using the straight-line method over the lesser of five years or the remaining lease term. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

REVENUE RECOGNITION

The College uses the deferral method of accounting for contributions. Restricted contributions are deferred and matched with related expenses as incurred.

DEFERRED REVENUE

Revenue received in the current year, but not spent until the following fiscal year, is deferred and matched with the related expenditures.

DONATIONS

Donations are reported when received. Donations of capital assets are reported at fair market value.

FINANCIAL INSTRUMENTS

The College's financial instruments include accounts receivable and payable with short and long-term maturities. Unless otherwise noted, it is management's opinion that the College is not exposed to significant interest rate and credit risks arising from these instruments. Accounts receivable are not concentrated to any one or group of students or organizations. Likewise, trade payables are subject to normal credit terms and are not concentrated to any one or group of suppliers. Amounts relating to severance and vacation liabilities are not subject to interest, penalties or set terms of repayment.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

3. CASH AND SHORT TERM INVESTMENTS

Cash and short-term investments are summarized as follows:

	2002	2001
Cash	603	361
Term deposits - Department of Finance	595	863
	1,198	1,224

4. ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows:

	2002	2001
Tuition and contract training	575	810
Goods and Services Tax rebate	29	52
Accountable advances and computer loans	2	5
	606	867

5. DUE FROM PROVINCE OF MANITOBA

The amounts due from the Province of Manitoba are summarized as follows:

	2002	2001
Current		
Property taxes	331	331
Accommodation cost-recovery system	180	180
	511	511
Non-current		
Vacation pay	875	875
Severance pay	1,124	1,124
	1,999	1,999
	2,510	2,510

The Province of Manitoba has guaranteed the receivable for severance and vacation pay in the amount of $1,999,250 (in actual $). The amount of this deferred funding was established in 1998 and was calculated as the severance and vacation pay owing at that time to employees for pre 1998 employee service. The amount of this receivable will not change as the liability for vacation and severance pay increases or decreases on an annual basis. The receivable is non-interest bearing and no payment terms have been established. To date, the College has paid out $170,295 in severance pay relating to pre 1998 employee service (in actual $). No payments have been received from the Province with respect to this receivable.

6. INVENTORIES

	2002	2001
Books and supplies	434	316

7. CAPITAL ASSETS

	2002	2001
The following is a continuity of capital assets:		
Net book value, beginning of year	4,084	3,510
Add: Purchases	2,305	1,575
Donated assets	48	48
Subtotal	6,437	5,133
Less: current year amortization	(1,209)	(1,049)
Net book value, end of year	5,228	4,084
Library holdings, at estimated value	959	959

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2002	2001
Payables are summarized as follows:		
Trade payables	594	872
Less: supplier overpayments and textbook returns	-	(87)
Net trade payables	594	785
Accrued vacation pay	1,465	1,339
	2,059	2,124

9. DEFERRED REVENUE

Deferred revenue is summarized as follows:

	2002	2001
Tuition and commitment fees	272	248
Contract training fees	377	95
Classroom rentals, parking and other deferrals	144	32
Grant Feasibility Study BMHC	30	25
CHCA Program	13	-
	836	400

10. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the College's capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

The following is a continuity of deferred contributions:

	2002	2001
Balance, beginning of year	2,070	2,085
Add: Capital contributions during the year:		
Government grant	1,123	598
Contributed net assets	48	48
Net additions for the year	1,171	646
Less: Current year amortization	(691)	(656)
Release of deferred contributions		(5)
	(691)	(661)
Net book value, end of year	2,550	2,070

11. NET ASSETS INTERNALLY RESTRICTED

The following surplus appropriations/disbursements were approved by the Board of Governors during the year:

	General Operating Reserve	General Capital Reserve	General Technology Reserve	Total Reserve
OPENING BALANCE	400	50	354	804
APPROPRIATIONS TO RESERVE	50	118		168
WITHDRAWALS FROM RESERVE				
Lower Level Development (Cost share MGS)	-	-	-	-
Windows and Office 2000	-	-	-	-
Welding Shop Project	-	-	-	-
Facility Renovations	-	-	-	-
MIS Implementation Plan	-	-	(13)	(13)
Total Withdrawals	-		(13)	(13)
ENDING BALANCE	450	168	341	959

12. COMMITMENTS

The College has entered into various leases for classroom space, office equipment and a maintenance agreement for the Colleague computer system. The following represents the future payments:

2002/2003	275
2003/2004	179
2004/2005	73

13. PENSION COSTS AND OBLIGATIONS

The College's employees are eligible for membership in the Civil Service Superannuation Plan operated by the Province of Manitoba. Although this is a defined benefit pension plan, any experienced gains or losses determined by actuarial valuations are the responsibility of the Province of Manitoba. Accordingly, no disclosure has been made in the financial statements relating to the effects of participation in the pension plan by the College and its employees.

14. ECONOMIC DEPENDENCE

The College presently receives annual funding of approximately $15,895,000 ($14,294,000 in 2001) from the Province of Manitoba to finance operations and capital acquisitions (in actual $). Without such funding, future viability of the College is not assured.

15. INCOME TAXES

The College is exempt from income taxes.

16. GRANTS

	COPSE Grant	Manitoba Health Grant	Other Grants	Total Grants
Grants Received	15,895	-	105	16,000
Add:				
Release of deferred revenue	63	12	(4)	71
Less:				
Deferrals	67	-	-	67
Deferred Capital Contributions	722	-	-	722
	15,167	12	101	15,280
Represented by:				
Base	15,052	12	101	15,165
Market Driven Training	115	-	-	115
	15,167	12	101	15,280

17. RELATED PARTY TRANSACTIONS

During the year the College provided a grant of $4,620 to Assiniboine Community College Foundation Inc. and received gifts in kind totaling $49,515 and a monetary donation totaling $25,000 (in actual $).

18. COMPARATIVE FIGURES

The prior period figures have been restated to reflect an error in the recording of a capital asset transaction resulting in a decrease to the capital assets and net assets invested in capital assets of $45,000 (in actual $).

ASSINIBOINE COMMUNITY COLLEGE
SCHEDULE OF REVENUES
YEAR ENDED JUNE 30, 2002
(in thousand $)

Schedule 1

	Budget (unaudited)	2002	2001 (Restated)
Academic Training Fees			
Day program tuition fees	2,390	2,402	2,241
Grants			
Provincial (note 16)	15,126	15,165	13,817
Market Driven / Contract Training (schedule 2)	1,100	2,016	1,206
Continuing Education (schedule 3)	751	700	670
Ancillary Services (schedule 4)	1,000	1,162	875
Apprenticeship Training (schedule 5)	1,199	1,179	1,167
Sundry and Other Revenue			
Interest	100	66	180
Other	228	272	231
	328	338	411
Amortization of deferred capital contributions	679	691	656
Total Revenue	22,573	23,653	21,043

ASSINIBOINE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2002
(in thousand $)

Schedule 1
Continued

	Budget (unaudited)	2002	2001 (Restated)
Academic			
Salaries			
Instructional	8,547	8,532	7,688
Administrative	1,693	1,729	1,684
Program Support	149	111	127
Fringe Benefits	781	777	728
Operating	2,449	2,619	2,101
	13,619	13,768	12,328
Administration			
Salaries	1,756	1,978	2,012
Fringe Benefits	361	320	264
Operating	2,477	2,346	1,437
	4,594	4,644	3,713
Program Support			
Salaries	742	768	586
Fringe Benefits	66	65	48
Operating	143	122	133
	951	955	767
Plant			
Salaries	242	263	261
Fringe Benefits	22	24	25
Operating	75	74	941
	339	361	1,227
Management Information Services			
Salaries	530	558	584
Fringe Benefits	42	42	49
Operating	286	267	298
	858	867	931
Library			
Salaries	184	187	203
Fringe Benefits	16	16	16
Operating	82	89	78
	282	292	297
Ancillary Services (schedule 4)	831	986	728
Amortization of Capital Assets	1,108	1,209	1,049
Total Operating Expenditures	22,582	23,082	21,040
Other Items:			
Capital Grant Adjustment	0	403	0
Total Operating including Other Items	22,582	23,485	21,040

ASSINIBOINE COMMUNITY COLLEGE
MARKET DRIVEN TRAINING
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2002
(in thousand $)

Schedule 2

	Budget (unaudited)	2002	2001 (Restated)
Revenue			
Tuition fee contracts	114	75	125
Contract training	868	1,840	842
Grants	95	100	214
Other revenue	23	1	25
Total Revenue	1,100	2,016	1,206
Expenditures			
Direct Expenditures			
Instructional salaries	325	694	507
Fringe benefits	7	56	43
Operating	267	613	175
	599	1,363	725
Indirect Expenditures			
Administrative salaries	192	216	269
Fringe benefits	15	17	23
Other operating	17	11	13
	224	244	305
Total Expenditures	823	1,607	1,030
Excess (Deficiency) of Revenue over Expenditures	277	409	176

Schedule 3

ASSINIBOINE COMMUNITY COLLEGE
CONTINUING EDUCATION
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2002
(in thousand $)

	Budget (unaudited)	2002	2001 (Restated)
Revenue			
Brandon campus	404	389	376
Dauphin campus	61	77	50
Regional Centres	286	234	244
Total Revenue	751	700	670
Expenditures			
Direct Expenditures			
Instructional salaries	310	302	310
Fringe benefits	24	24	23
Operating	155	124	91
	489	450	424
Indirect Expenditures			
Administrative salaries	198	203	172
Program support	185	152	104
Fringe benefits	32	31	25
Operating	110	105	117
	525	491	418
Total Expenditures	1,014	941	842
Excess (Deficiency) of Revenue over Expenditures	(263)	(241)	(172)

ASSINIBOINE COMMUNITY COLLEGE
ANCILLARY SERVICES
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2002
(in thousand $)

Schedule 4

	Budget (unaudited)	2002	2001 (Restated)
Revenue	1,000	1,162	875
Expenditures			
Cost of goods sold	738	877	640
Salaries and benefits	62	80	73
Operating	31	29	15
Total Expenditures	831	986	728
Excess (Deficiency) of Revenue over Expenditures	169	176	147

Schedule 5

ASSINIBOINE COMMUNITY COLLEGE
APPRENTICESHIP
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2002
(in thousand $)

	Budget (unaudited)	2002	2001 (Restated)
Revenue			
Tuition Revenue	1,199	1,179	1,167
Expenditures			
Direct Expenditures			
Instructional salaries	871	806	787
Fringe benefits	67	61	63
Operating	209	194	174
Total Expenditures	1,147	1,061	1,024
Excess (Deficiency) of Revenue over Expenditures	52	118	143

The Board of Administration
Under the Embalmers and
Funeral Directors Act

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of the Board and have been prepared in accordance with Canadian generally accepted accounting principles. In the Board's opinion, the financial statements have been properly prepared.

As the Board is responsible for the integrity of the financial statements, the Board has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss and that revenues are complete.

Caroline E. Kaus
Chairperson

Rudy Gerling
Accountant

March 21, 2003

The Board of Administration Under The
Embalmers and Funeral Directors Act
254 Portage Avenue, Winnipeg, MB
Canada R3C 0B6

Conseil Dàdministration Constituè Sous Le
Règime De La Loi Sur Les Embaumeurs
Et Les Entrepreneurs De Pompes Funèbres
254 avenue Portage, Winnipeg (Manitoba) R3C 0B6

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors under The Embalmers and Funeral Directors Act

We have audited the statement of financial position of the Board of Administration under The Embalmers and Funeral Directors Act as at December 31, 2002 and the statements of operations and changes in unrestricted net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
March 21, 2003

THE BOARD OF ADMINISTRATION UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Statement of Financial Position
December 31, 2002

ASSETS

	2002	2001
Current Assets		
Cash	$17,819	$13,927
Short term investments (note 4)	76,581	75,169
Accounts receivable	105	-
Accrued interest receivable	312	711
	$94,817	$89,807

LIABILITIES AND UNRESTRICTED NET ASSETS

	2002	2001
Current liabilities		
Accounts payable and accrued liabilities	$ 3,204	$ 4,768
Deferred revenue	26,300	19,500
	29,504	24,268
Unrestricted net assets	65,313	65,539
	$94,817	$89,807

Approved on behalf of The Board of Administration

Caroline Kaus
Caroline Kaus
Chairperson

T. Wevursky
Tracy Wevursky
Secretary-Treasurer

THE BOARD OF ADMINISTRATION
UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Statement of Operations And Changes In Unrestricted Net Assets
for the year ended December 31, 2002

REVENUE	2002	2001
Funeral Home licences	$ 8,500	$ 7,100
Embalmer and Funeral Director licences	22,100	21,400
Interest	1,014	2,671
	$31,614	$31,171

EXPENSES		
Audit	2,675	2,400
Honoraria – Board Members	7,194	6,649
Honoraria - Registrar	8,000	10,000
Miscellaneous	2,634	1,958
Board meetings	7,216	4,047
Graduation and examination	1,262	2,177
Communications	1,186	900
Office supplies and postage	1,673	3,312
Labour Mobility conferences	-	3,492
	$31,840	$34,935
(Deficiency) of Revenue Over Expenses	$ (226)	$(3,764)
Unrestricted Net Assets Beginning of the year	$65,539	$69,303
Unrestricted Net Assets End of the year	$65,313	$65,539

THE BOARD OF ADMINISTRATION
UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Statement of Cash Flows
for the year ended December 31, 2002

	2002	2001
Cash flows received from (used for) operating activities		
Licence fees	$37,300	$42,700
Interest on short term investments	1,413	2,359
Graduation and examination expenses	(1,262)	(2,177)
Audit fees	(4,525)	-
Honoraria – Registrar	(8,000)	(10,000)
Honoraria – Board Members	(7,412)	(7,412)
Miscellaneous expenses	(2,219)	(2,214)
Board meetings	(7,229)	(4,543)
Communications	(1,154)	(947)
Labour Mobility conferences	-	(3,492)
Office supplies and postage	(1,608)	(3,489)
Net cash generated from operating activities	5,304	10,785
Cash flows received from (used for) investing activities		
Purchases of Guaranteed Investment Certificates	(76,581)	(75,169)
Maturities of Guaranteed Investment Certificates	75,169	52,811
Net cash used for investing activities	(1,412)	(22,358)
Net (decrease) increase in cash for the year	3,892	(11,573)
Cash, beginning of the year	13,927	25,500
Cash, end of year	$17,819	$13,927

THE BOARD OF ADMINISTRATION UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Notes to Financial Statements
December 31, 2002

1. **Nature of the Operation**

The Embalmers and Funeral Directors Act established The Board of Administration to licence and regulate Embalmers and Funeral Directors and to prescribe the courses of training and instruction for articled students.

2. **Accounting Policy**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

3. **Contribution of Services**

During the year, the Province of Manitoba provided the services of administrative and accounting staff to the Board at nil cost. Because of the difficulty of estimating the fair value of such services, no contributed services are recognized in the financial statements.

4. **Short Term Investments**

Short term investments are carried at cost, which approximates market.

5. **Comparative Figures**

The comparative figures have been reclassified to conform with the current year's presentation.

6. **The Public Sector Compensation Disclosure Act**

In accordance with Section 2 of The Public Sector Compensation Disclosure Act the following summarizes compensation paid during the year ended December 31, 2002.

(i) No individual received compensation of $50,000 or more.
(ii) Compensation, in aggregate, paid to or for the benefit of the board members.

Nature of Compensation	Compensation
Honoraria – Board Members	$7,194

BRANDON UNIVERSITY

Responsibility for Financial Statements

The Office of the Vice-President (Administration & Finance) of Brandon University is responsible for the preparation and presentation of the financial statements and accompanying notes. The financial statements are prepared in conformity with the accounting policies noted in the financial statements, and are reviewed and approved by the Board of Governors. The Provincial Auditor of the Province of Manitoba, whose opinion is included herein, examines the statements.

To fulfil its responsibility, the University maintains internal control systems to provide reasonable assurance that relevant and reliable financial information is produced.

J. E. Deller

Terri Deller, B.A., LL.B.
Treasurer, Board of Governors

Scott J. Lamont

Scott J. B. Lamont, CGA, MBA
Vice-President (Administration & Finance)

July 16, 2003

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Governors of Brandon University

We have audited the statement of financial position of Brandon University as at March 31, 2003 and the statements of changes in net assets, operations and changes in cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2003, the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jon W. Singleton, CA•CISA
Auditor General

Winnipeg, Manitoba
May 15, 2003

Brandon University

Statement of Financial Position
as at March 31, 2003

ASSETS

	2003	2002
Current Assets		
Cash and cash equivalents (note 3)	$ 6,757,015	$ 10,119,915
Accounts receivable	2,320,104	2,068,343
Inventory	352,661	325,023
Prepaid expenses	184,822	137,549
	9,614,602	12,650,830
Trust and Endowment Funds held by Brandon University Foundation (notes 2D and 4)	21,172,743	20,734,574
Loan receivable (note 8)	83,772	86,054
Investment in Subsidiary Company (notes 2E and 10)	218,188	222,634
Capital Assets and Collections (notes 2F and 6)	42,372,882	38,355,060
	$ 73,462,187	$ 72,049,152

Approved by the Brandon University
Board of Governors on June 26, 2003

J. E. Weller

Treasurer

Scott G. Lamont

Vice-President (Administration & Finance)

The accompanying notes are an intergral part of these financial statements.

LIABILITIES & NET ASSETS

	2003	2002
Current Liabilities		
Accounts payable and accrued liabilities	$ 4,203,292	$ 3,093,448
Due to WESTARC Group Inc. (note 11)	219,370	217,753
Deferred income	187,869	230,191
Deferred contributions (note 7)	2,717,732	2,644,444
Current portion of long term debt (note 12)	81,406	76,560
	7,409,669	6,262,396
Long term Liability		
Mortgages payable (note 12)	1,807,069	1,888,475
Deferred building contribution (note 7)	612,901	4,936,035
Unamortized Deferred Capital Contributions (note 7)	35,069,514	31,020,340
Trust and Endowment Funds (notes 2D and 4)	21,172,743	20,734,574
Net Assets		
Unrestricted net assets	1,729,911	1,614,744
Internally restricted net assets (note 5)	245,486	222,902
Investment in capital assets and collections	5,414,894	5,369,686
	7,390,291	7,207,332
	$ 73,462,187	$ 72,049,152

The accompanying notes are an intergral part of these financial statements.

Brandon University

Statement of Changes in Net Assets
for the year ended March 31, 2003

	Unrestricted Net Assets	Internally Restricted Net Assets	Investment in Capital Assets and Collections	Total 2003	Total 2002
Balance, beginning of year	$ 3,131,995	$ 222,902	$ 5,369,686	$ 8,724,583	$ 8,268,113
Change in accounting policy (note 19)	(1,517,251)			(1,517,251)	(1,517,251)
	1,614,744	222,902	5,369,686	7,207,332	6,750,862
Reclassify account balances	671			671	3,200
Restated balance, beginning of year	1,615,415	222,902	5,369,686	7,208,003	6,754,062
Excess of revenues over expenses	87,307			87,307	425,110
Direct increases to net assets					
Donations of capital assets			94,981	94,981	16,697
Transfer of WESTARC assets (net of amortization)					11,463
Transfers					
Internally funded					
Capital asset additions	(933,448)		933,448		
Capital asset disposals (net)	2,278		(2,278)		
Amortization	1,057,503		(1,057,503)		
Repayment of long term debt	(76,560)		76,560		
Allocation to internally restricted net assets	(30,617)	30,617			
Internally restricted net asset purchases	8,033	(8,033)			
Balance, end of year	$ 1,729,911	$ 245,486	$ 5,414,894	$ 7,390,291	$ 7,207,332

The accompanying notes are an intergral part of these financial statements.

Brandon University

Statement of Operations
for the Year Ended March 31, 2003

	2003	2002
Revenues		
Tuition fees	$ 9,413,683	$ 8,507,469
Grants		
Council on Post-Secondary Education	22,183,494	20,814,576
Province of Manitoba	417,177	1,770,964
Government of Canada	1,197,739	1,312,668
City of Brandon	50,000	50,000
Sales of goods and services	4,624,272	4,663,439
Brandon University Foundation	1,335,284	1,272,077
Amortization of deferred capital contributions	1,454,012	1,395,377
Gain on disposal of capital assets	9,506	606
Miscellaneous	989,616	866,100
	41,674,783	40,653,276
Expenses		
Salaries - academic	14,044,472	12,995,006
Salaries - support	9,976,878	9,935,255
Benefits	3,371,474	2,987,763
Travel	1,488,807	1,352,944
Supplies and other expenses	5,201,674	5,252,148
Property taxes	1,399,884	1,854,627
Utilities	1,025,459	990,270
Cost of goods sold	1,752,983	1,603,675
Scholarships and bursaries	768,506	656,318
Interest on long term debt	140,028	144,571
Amortization expense	2,511,515	2,362,747
Loss of subsidiary	4,446	68,290
Increase/(decrease) in amount of accrued expenses	(98,650)	24,552
	41,587,476	40,228,166
Excess of revenues over expenses	$ 87,307	$ 425,110

The accompanying notes are an intergral part of these financial statements.

Brandon University

Statement of Cash Flow
for the Year Ended March 31, 2003

	2003	2002
Cash Provided By (Used In) Operating Activities		
Excess of revenues over expenses	$ 87,307	$ 425,110
Items not affecting cash flow		
Amortization of deferred capital contributions	(1,454,012)	(1,395,377)
Amortization of capital assets	2,511,515	2,362,747
Gain on disposal of capital assets	(9,506)	(375)
Loss of subsidiary	4,446	68,290
Decrease in non-cash operating working capital	816,426	517,552
	1,956,176	1,977,947
Cash Provided By (Used In) Investing Activities		
Decrease in loan receivable	2,282	2,107
Capital asset additions	(6,531,615)	(1,395,679)
Proceeds on disposal of capital assets	11,784	2,352
	(6,517,549)	(1,391,220)
Cash Provided By (Used In) Financing Activities		
Long term debt repayments	(76,560)	(72,017)
Capital contributions received	1,275,033	568,257
	1,198,473	496,240
Increase/(decrease) in cash and cash equivalents	(3,362,900)	1,082,967
Cash and cash equivalents, beginning of year	10,119,915	9,036,948
Cash and cash equivalents, end of year	$ 6,757,015	$ 10,119,915

The accompanying notes are an intergral part of these financial statements.

1. Authority and Purpose

Brandon University operates under the authority of the Brandon University Act of the Province of Manitoba. Brandon University offers undergraduate programs in arts, science, education, music, and health studies; and offers graduate programs in education, music and rural development. The University is a registered charity and is exempt from the payment of income taxes.

2. Summary of Significant Accounting Policies and Reporting Practices

A. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

B. Revenue Recognition

Operating grants are recognized as revenue in the period received. Revenues received for the provision of goods and services are recognized in the period in which the goods are provided or the services rendered or substantially rendered.

The University accounts for contributions using the deferral method. Deferred contributions are externally restricted non-capital contributions which are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Externally restricted contributions for the acquisition of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received and, when expended, are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

C. Short Term Investments

Short term investments are recorded at cost and are unspent operating, capital and restricted funds that are invested to generate income used to fund general operations of the University. Short term investments also includes a mutual fund that provides a benefit provision for a former WESTARC employee as a part of that individual's contract of employment.

D. Trust and Endowment Fund

In order to consolidate fund raising activities and the administration of trust and endowment funds, Brandon University, Brandon University Foundation and Brandon University Alumni Association entered into an agreement in October 1989, which was updated in April 2001. The parties to the agreement recognize and agree that the University has exclusive and ultimate control over the consolidated assets and for the eventual disposition of all funds collected on its behalf in the future.

Funds transferred from the Brandon University Foundation to the University are recorded as revenue in the period they were received by the University.

The net change in the funds held by the Foundation, as a result of the Foundation's activities over the year, is added to Funds held by Brandon University Foundation and to the Trust and Endowment Fund.

E. Investment in Subsidiary Companies

The University accounts for its investment in the subsidiary companies in accordance with a modification of the equity method. Under this method, contributions to the subsidiary companies and earnings of the subsidiary companies are added to the investment in the subsidiaries. Dividends received from the subsidiary companies are deducted from the investment in the subsidiaries. The income or losses of the subsidiaries are included in the statement of operations.

F. Capital Assets and Collections

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at the fair market value on the date received. On the disposition of a capital asset, both the cost and any accumulated amortization are removed from the accounts.

Capital assets are amortized on a straight line basis over the estimated useful lives of the assets. Amortization rates are as follows:

Buildings	50 years
Furnishings and equipment	10 years
Computer equipment	5 years
Vehicles	5 years
Library collections	10 years

The capital assets include collections of works of art, gemstones and rare books which have been donated to the University. These collections are not amortized.

G. Inventory

Inventories are valued at the lower of cost and net realizable value.

H. Pension Plans

The University contributes to the Brandon University Retirement Plan which is a trustee-administered pension plan for University employees. Contributions by the University are recorded as expenses.

The accounts of the Brandon University Retirement Plan do not form part of the financial statements of the University. The Auditor General audits the financial statements of the Plan.

3. Cash and Cash Equivalents

Cash and cash equivalents are summarized as follows:

	2003	2002
Cash	$ 580,817	$ 452,981
Short term investments	6,129,200	9,619,936
Mutual funds	46,998	46,998
	$ 6,757,015	$ 10,119,915

The fair market value of the short term investments and mutual funds is $ 6,180,340 , (2002 -$ 9,678,760).

4. Funds Held by Brandon University Foundation

The trust and endowment funds held by the Brandon University Foundation of $21,172,743 as at December 31, 2002 have been included with the assets of the University. The investments of the Foundation are recorded at cost. The transactions from January 1, 2003 to March 31, 2003 which would have decreased the fund balance by approximately $ 77,702 have not been included in these financial statements.

The value of outstanding pledges to the Foundation as at March 31, 2003 is $ 195,771 (2002 - $ 376,164). These will be recorded as revenue by the University when transferred to the University from the Foundation.

5. Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the University for the following specific purposes:

	Opening Balance	Current Provision	Purchases	2003 Closing Balance
Ancillary enterprises	$ 154,218	$ 30,617	$	$ 184,835
Mail/Print services	1,350			1,350
Telephone replacement	27,718		(8,033)	19,685
Vehicle replacement	39,616			39,616
	$ 222,902	$ 30,617	$ (8,033)	$ 245,486

6. Capital Assets and Collections

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Land	$ 500,530	$	$ 500,530	$ 500,530
Buildings	62,333,505	(27,591,592)	34,741,913	31,324,070
Furniture and equipment	13,312,118	(9,073,843)	4,238,275	3,944,661
Library collections	5,979,289	(4,164,278)	1,815,011	1,603,627
Collections	1,077,153		1,077,153	982,172
	$ 83,202,595	$(40,829,713)	$ 42,372,882	$ 38,355,060

Capital asset additions during the year included donations in kind in the amount of $ 94,981 , (2002- $ 16,697).

7. Deferred Contributions and Unamortized Deferred Capital Contributions

Deferred contributions represent contributions received for special purposes and unspent funds for restricted purposes. Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods and matched against the applicable amortization charged in that period. Changes in the deferred contributions and unamortized deferred capital contributions balances are as follows:

	2003 Deferred Contributions	2003 Unamortized Deferred Capital Contributions	2002 Deferred Contributions	2002 Unamortized Deferred Capital Contributions
Balance, beginning of year	$ 7,580,479	$ 31,020,340	$ 7,264,550	$ 31,800,192
Contributions received	7,428,042		6,834,937	
Transfers to revenue				
Tuition, grants and contributions	(6,174,702)		(5,902,883)	
Amortization of assets acquired from capital assets		(1,454,012)		(1,395,977)
Transferred to acquire capital assets	(5,503,186)	5,503,186	(616,125)	616,125
Balance, end of year	$ 3,330,633	$ 35,069,514	$ 7,580,479	$ 31,020,340
Balance consists of:				
Research	$ 1,675,401		$ 2,110,196	
Special programs	1,042,331		534,248	
Capital	612,901		4,936,035	
	$ 3,330,633		$ 7,580,479	

The deferred capital contribution was a one time grant received in March, 2001 from the Council on Post-Secondary Education for the expansion of the health studies facilites.

8. Loan Receivable

The University issued a loan of $96,240 to Bran-U-Day Care Inc. on April 1, 1995 to cover the remaining debt on the building. The terms are monthly installments of $694.92 due on the 1st day of each month with the entire amount due on the 1st day of April, 2005. The rate of interest is 8.125% for this 5 year period.

The loan receivable as at March 31, 2003, was $ 83,772 , (2002- $86,054).

9. Pension Plans

Actuarial valuations of the Brandon University Retirement Plan are carried out every three years and provide an estimate of the accrued pension benefits. The next actuarial valuation is required as at December 31, 2003 and will be completed in 2004. Based on the latest actuarial valuation of the plan conducted as at December 31, 2000, accrued pension benefits were $62,244,000. This valuation established a Plan surplus of $11,162,000 using the accrued benefit method as at that date. This method used actuarial assumptions with regard to demographics, rate of return on investments and salary increases to compare the Plan's assets with its liabilities in respect of past service.

The market value of the assets under management was $ 69,539,677 at December 31, 2002 (2001 - $75,899,755).

Pension contributions by the University for the year ended March 31, 2003 were $ 1,171,027 (2002 - $ 1,003,381).

10. Investment in Subsidiary Companies

Brandon University Holding Company Limited was incorporated in 1985 as a wholly-owned subsidiary company of Brandon University. The Holding Company was established for the purpose of holding shares in subsidiary companies. WESTARC Group Inc., a wholly-owned subsidiary company of Brandon University Holding Company Limited, was incorporated in 1985. WESTARC Group Inc. was established to disseminate expertise from the University to the public and private sectors.

The following is a summary of the investment in Brandon University Holding Company Limited for the year ended March 31, 2003:

	2003	2002
Investment, beginning of year	$ 222,634	$ 290,924
Net loss from operations	(4,446)	(68,290)
Investment, end of year	$ 218,188	$ 222,634

11. Related Party Transactions

As at March 31, 2003, there was an amount of $ 219,370 (2002 - $ 217,753) due to WESTARC Group Inc. from Brandon University. This amount is non-interest bearing with no set repayment terms.

12. Long-Term Liability - Mortgages Payable

	2003	2002
Canada Mortgage and Housing Corporation 5 1/8% mortgage, $41,608 combined principal and interest payable semi-annually July 1 and January 1 to 2012.	$ 619,738	$ 669,280
Canada Mortgage and Housing Corporation 8 1/4% mortgage, $66,686 combined principal and interest payable semi-annually April 1 and October 1 to 2021.	1,268,737	1,295,755
	1,888,475	1,965,035
Current portion of long term debt	81,406	76,560
	$ 1,807,069	$ 1,888,475

Principal payments in the next five years are as follows:

2004	$ 81,406
2005	$ 86,578
2006	$ 92,097
2007	$ 97,990
2008	$ 104,282

13. Brandon Centennial Auditorium Corporation Inc.

Under an arrangement between the University, the Province of Manitoba and the City of Brandon, the University built an Auditorium on its property for the benefit of the citizens of Western Manitoba. The expenditures for the building and furnishings were financed from contributions by the Governments of Canada and Manitoba, the City of Brandon and citizens through fundraising campaigns.

The Auditorium has been leased to the Brandon Centennial Auditorium Corporation Inc. for a nominal consideration of $1 under a 99 year lease which expires 2064 A.D. The University is reimbursed for services supplied to the auditorium as required by the agreement.

14. Knowles-Douglas Student Union Centre

The Knowles-Douglas Student Union Centre has been leased to the Knowles- Douglas Student Union Centre Inc. for the nominal consideration of $1 per year under a 50 year lease which expires 2035 A.D. The University supplies certain services to the Centre as required by the lease.

15. Commitments

An agreement between the University and the Brandon University Students' Union Inc. provides for the equal sharing of profits of the University's bookstore operations. The Students' Union share of profits amounted to $65,895 for the year ended March 31, 2003 (2002 - $57,548).

16. Accrued Expenses

The following expenses have been accrued and will be funded from future revenues:

	2003	2002
Unfunded employee benefits - vacation accruals	$ 579,259	$ 528,142
Unfunded employee future benefits	587,000	548,000
Unfunded property taxes	276,893	465,661
	$ 1,443,152	$ 1,541,803

17. Employee Future Benefits

Accounting standards require the use of accrual accounting for costs related to employee future benefits. These non-pension benefits include severance and retiring allowance benefits payable upon retirement. The costs of these future benefits have been determined by an actuary and the costs will be recognized over the service life of the employees or the period to full eligibility of the employee group depending on the type of cost.

The actuarial valuation provides the present value of benefit obligations as well as the current cost and the interest cost on the benefit obligation. This accrued benefit obligation has not been funded.

	2003	2002
Accrued benefit obligation, beginning of year, as previously reported	$ 548,000	$ 539,000
Actuarial adjustment		(20,000)
Accrued benefit obligation, beginning of year, restated	548,000	519,000
Employer accrual	29,000	29,000
Benefit payments	(35,000)	(35,000)
Interest at 6.75%	37,000	35,000
Accrued benefit obligation, end of year	579,000	$ 548,000
Accrued benefit obligation, restated at 6.5%	8,000	
Accrued benefit obligation, as restated	$ 587,000	

18. Financial Instruments

The financial instruments of the University consist of cash and cash equivalents, accounts receivable, long-term investments, accounts payable, amounts due to (from) related parties and long-term debt. Unless otherwise noted, it is management's opinion that the University is not exposed to significant interest, currency or credit risks arising from these financial instruments.

19. Change in Accounting Policy

Prior to 2003 the Accrued Expenses (note 16) were reported as Expenses Funded from Future Revenues in the Statement of Financial Position. A decision was made to expense these costs.

As a result of this change in policy, the prior periods have been adjusted retroactively, effective March 31, 2001. The result of this was to decrease the opening balance of Net Assets by $1,517,251 as at April 1, 2001 and decrease the March 31, 2003 closing balance by $1,443,153 (2002 - $1,541,803) and increase/(decrease) the excess of revenues over expenses at March 31, 2003 by $98,650 (2002 - ($24,552)).

20. Restatement of Accounts

Comparative figures for the year ended March 31, 2002 have been restated where necessary to conform with the presentation adopted for the year ended March 31, 2003.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
One Lombard Place
Suite 2300
Winnipeg Manitoba
Canada R3B 0X6
Telephone +1 (204) 926 2400
Facsimile +1 (204) 944 1020

May 16, 2003

Auditors' Report

To the Members of
CancerCare Manitoba

We have audited the statement of financial position of **CancerCare Manitoba** as at March 31, 2003 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of CancerCare Manitoba's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of CancerCare Manitoba as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

CancerCare Manitoba

Statement of Financial Position

As at March 31, 2003

				2003	2002
	General Fund $	**Building Fund** $	**Clinical and Basic Research Fund** $	**Total** $	**Total** $
Assets					
Current assets					
Cash	3,070,496	-	187,002	3,257,498	4,067,713
Short-term investments	3,782,326	-	-	3,782,326	4,956,450
Due from Manitoba Health (note 3)	1,108,282	-	-	1,108,282	396,259
Accounts receivable (note 4)	393,009	40,000	2,966,752	3,399,761	2,285,496
Interfund accounts	633,885	(710,580)	76,695	-	-
Prepaid expenses	274,863	-	-	274,863	245,330
Deferred charges	2,854,377	-	-	2,854,377	2,415,086
	12,117,238	(670,580)	3,230,449	14,677,107	14,366,334
Investments (note 12)	-	-	1,830,782	1,830,782	1,839,707
Capital assets (note 6)	5,080,105	55,667,545	613,379	61,361,029	53,120,112
	17,197,343	54,996,965	5,674,610	77,868,918	69,326,153
Liabilities and Deferred Contributions					
Current liabilities					
Accounts payable and accrued liabilities (note 7)	6,446,793	160,681	61,701	6,669,175	15,697,687
Due to Manitoba Health (note 3)	154,197	-	-	154,197	-
Current portion of long-term debt	-	1,526,316	-	1,526,316	921,053
Deferred contributions (note 8)					
Expenses of future periods	2,466,058	-	-	2,466,058	2,314,990
	9,067,048	1,686,997	61,701	10,815,746	18,933,730
Deferred contributions (note 8)					
Capital assets	5,164,307	27,728,828	-	32,893,135	28,096,877
Long-term debt (note 9)	-	25,581,140	-	25,581,140	15,657,895
	14,231,355	54,996,965	61,701	69,290,021	62,688,502
Fund Balances					
Invested in capital assets	-	-	613,379	613,379	489,818
Externally restricted (note 10)	-	-	2,721,702	2,721,702	2,179,712
Internally restricted	-	-	2,277,828	2,277,828	2,274,228
Unrestricted	2,965,988	-	-	2,965,988	1,693,893
	2,965,988	-	5,612,909	8,578,897	6,637,651
	17,197,343	54,996,965	5,674,610	77,868,918	69,326,153

CancerCare Manitoba

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2003

	2003				2002
	General Fund $	Building Fund $	Clinical and Basic Research Fund $	Total $	Total $
Revenue					
Manitoba Health (note 11)	40,109,498	1,280,259	-	41,389,757	38,952,474
Other recoveries	1,388,590	-	-	1,388,590	561,069
Grants	-	-	6,160,982	6,160,982	5,129,019
Amortization of deferred contributions	2,396,828	2,040,023	-	4,436,851	3,908,950
	43,894,916	3,320,282	6,160,982	53,376,180	48,551,512
Expenses					
Compensation	22,062,240	-	2,632,249	24,694,489	22,089,177
Medical remuneration	4,421,105	-	-	4,421,105	4,431,615
Building occupancy	1,238,488	-	-	1,238,488	1,177,354
Amortization of capital assets	2,396,828	2,040,023	162,608	4,599,459	4,028,292
General administration	1,827,304	-	-	1,827,304	3,138,843
Equipment rentals and maintenance	1,099,071	-	-	1,099,071	1,052,159
Supplies and other departmental expenses	2,473,759	-	2,761,351	5,235,110	4,089,387
Drugs	6,928,786	-	-	6,928,786	5,982,113
Referred-out services	721,449	-	-	721,449	754,207
Interest expense	-	1,280,259	-	1,280,259	841,572
	43,169,030	3,320,282	5,556,208	52,045,520	47,584,719
Excess of revenue over expenses for the year before investment income and prior year's recovery	725,886	-	604,774	1,330,660	966,793
Investment income	129,262	-	64,377	193,639	223,831
Prior years' recovery - Manitoba Health	416,947	-	-	416,947	-
Excess of revenue over expenses for the year	1,272,095	-	669,151	1,941,246	1,190,624
Fund balance - Beginning of year	1,693,893	-	4,943,758	6,637,651	5,447,027
Fund balance - End of year	2,965,988	-	5,612,909	8,578,897	6,637,651

CancerCare Manitoba

Statement of Cash Flows

For the year ended March 31, 2003

	2003				2002
	General Fund $	**Building Fund $**	**Clinical and Basic Research Fund $**	**Total $**	**Total $**
Cash provided by (used in)					
Operating activities					
Excess of revenue over expenses for the year	1,272,095	-	669,151	1,941,246	1,190,624
Amortization of capital assets	2,396,828	2,040,023	162,608	4,599,459	4,028,292
Amortization of deferred contributions related to capital assets	(2,396,828)	(2,040,023)	-	(4,436,851)	(3,908,950)
Loss (gain) on disposal of investments	-	-	30,963	30,963	(40,598)
Amortization of deferred contributions related to expenses of future periods	-	-	-	-	(1,998)
Net change in non-cash working capital items	72,900	(10,210,779)	(1,137,548)	(11,275,427)	(8,861,554)
	1,344,995	(10,210,779)	(274,826)	(9,140,610)	(7,594,184)
Investing activities					
Interfund transfers	(678,569)	32,274	646,295	-	-
Additions to capital assets	(2,501,426)	(9,946,781)	(286,169)	(12,734,376)	(8,809,572)
Purchase of investments	-	-	(425,924)	(425,924)	(604,001)
Proceeds on disposal of investments	-	-	403,886	403,886	447,430
	(3,179,995)	(9,914,507)	338,088	(12,756,414)	(8,966,143)
Financing activities					
Deferred contributions related to capital assets	1,651,721	6,727,086	-	8,378,807	2,719,031
Deferred contributions related to expenses of future period	1,005,370	-	-	1,005,370	963,924
Increase in long-term debt	-	11,500,000	-	11,500,000	-
Repayment of long-term debt	-	(971,492)	-	(971,492)	(921,053)
	2,657,091	17,255,594	-	19,912,685	2,761,902
Increase (decrease) in cash	822,091	(2,869,692)	63,262	(1,984,339)	(13,798,425)
Cash and short-term investments - Beginning of year	6,030,731	2,869,692	123,740	9,024,163	22,822,588
Cash and short-term investments - End of year	6,852,822	-	187,002	7,039,824	9,024,163

1 Purpose of the organization

CancerCare Manitoba is an agency established under The CancerCare Manitoba Act. CancerCare Manitoba maintains and co-ordinates a province-wide program for cancer prevention, diagnosis, treatment, education and research.

CancerCare Manitoba is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2 Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Fund accounting

CancerCare Manitoba follows the deferral method of accounting for contributions.

The **General Fund** accounts for CancerCare Manitoba's revenues and expenses related to program delivery and administrative activities.

The **Building Fund** reports the assets, liabilities, revenues and expenses related to CancerCare Manitoba's building expansion and renovation program.

The **Clinical and Basic Research Fund** reports grants received for specific clinical and basic research projects undertaken by CancerCare Manitoba.

Revenue recognition

Restricted contributions are recognized as revenue in the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the appropriate fund when received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Restricted and unrestricted investment income are recognized as revenue of the appropriate fund in the year in which the income was earned.

Grant revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investments

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is recorded on a straight-line basis over the assets' estimated useful lives, which for equipment is 5 - 20 years.

Included in the Building Fund are costs associated with the planning, design and construction of the new facility which have been recorded at cost. Amortization of the building is recorded on a straight-line basis over 40 years.

Deferred charges

Funding for vacation entitlements and pre-retirement leave is provided by Manitoba Health in the period in which the actual costs are paid. Accordingly, CancerCare Manitoba records a deferred charge equal to the estimated year end vacation pay liability and pre-retirement leave to its employees.

Contributed services

A number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Pre-retirement entitlement obligation

CancerCare Manitoba has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

a) have ten years of service and have reached the age of 55; or

b) have reached the age of 65; or

c) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee.

CancerCare Manitoba records the retirement obligation as a liability. Funding for the retirement entitlement is recoverable from Manitoba Health in the year of payment.

Pension expense

CancerCare Manitoba participates in the Healthcare Employees Pension Plan - Manitoba. Pension expense is equal to CancerCare Manitoba's annual funding of the pension plan.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual amounts could differ from those estimates.

3 Manitoba Health funding

In Globe funding

In Globe funding is funding approved by Manitoba Health for CancerCare Manitoba operations unless otherwise specified as Out of Globe funding. All costs must be absorbed from within the global funding provided.

That portion of an operating surplus that exceeds 2% of the In Globe funding is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the surplus may be retained by CancerCare Manitoba, or repaid to Manitoba Health.

Under Manitoba Health policy, CancerCare Manitoba is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe funding

Out of Globe funding is funding approved by Manitoba Health for specific programs such as medical remuneration, capital and interest costs and pre-retirement expenses.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by CancerCare Manitoba, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to CancerCare Manitoba. Any unapproved costs not paid by Manitoba Health are absorbed by CancerCare Manitoba.

At March 31, 2003, CancerCare Manitoba had a balance of $154,197 (2002 - nil) payable to Manitoba Health, representing that portion of the 2003 surplus repayable to Manitoba Health and a balance of $1,108,282 (2002 - $396,259) receivable from Manitoba Health as follows:

	2003 $	2002 $
Due from Manitoba Health		
Current year's operating funding	146,877	588,878
Out of Globe		
1997/1998 and prior	-	(47,037)
1998/1999	-	(48,818)
1999/2000	-	(265,401)
2000/2001	-	90,682
2002/2003	27,910	-
Approved capital funding	933,495	77,955
	1,108,282	396,259

4 Accounts receivable

	2003				2002
	General Fund **$**	**Building Fund** **$**	**Clinical and Basic Research Fund** **$**	**Total** **$**	**Total** **$**
CancerCare Manitoba Foundation Inc.	-	-	2,148,079	2,148,079	1,268,850
Province of Manitoba	278,210	-	-	278,210	337,642
Winnipeg Regional Health Authority	-	-	313,603	313,603	66,033
Government of Canada	-	-	276,093	276,093	78,540
University of Manitoba	-	-	51,687	51,687	268,685
Other	114,799	40,000	177,290	332,089	265,746
	393,009	40,000	2,966,752	3,399,761	2,285,496

5 CancerCare Manitoba Foundation Inc.

CancerCare Manitoba has an economic interest in CancerCare Manitoba Foundation Inc. (CCMF Inc.). At March 31, 2003, net resources of CCMF Inc. amounted to $25,570,000, of which $8,472,000 are restricted contributions. CCMF Inc.'s purpose is to support CancerCare Manitoba in its provision of a program of diagnosis of, treatment of, and research in respect of cancer. CCMF Inc. will solicit, receive, maintain and accumulate funds for distribution on a periodic basis to CancerCare Manitoba, to support principally research activities that are supplementary to those funded by Manitoba Health. During the year, CCMF Inc. contributed funds in the amount of $2,218,091 (2002 - $2,185,000) to CancerCare Manitoba.

6 Capital assets

	2003			2002
	Cost $	Accumulated amortization $	Net $	Net $
General Fund				
Equipment	18,632,898	13,552,793	5,080,105	4,975,507
Building Fund				
Building construction in progress	51,846,378	3,319,263	48,527,115	44,148,743
Equipment	8,678,638	1,538,208	7,140,430	3,506,044
Clinical and Basic Research Fund				
Equipment	1,184,024	570,645	613,379	489,818
	80,341,938	18,980,909	61,361,029	53,120,112

7 Accrued employee benefits

Included in accounts payable and accrued liabilities are the following balances:

	2003 $	2002 $
Vacation accrual	1,487,902	1,246,231
Pre-retirement accrual	1,366,475	1,168,855

8 Deferred contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent contributions for specific projects and other purposes:

	2003 $	2002 $
Balance - beginning of year	2,314,990	1,475,192
Add: Amount received related to future periods	1,005,370	963,924
Less: Amounts transferred to capital assets	(854,302)	(122,128)
Less: Amounts amortized to revenue	-	(1,998)
	2,466,058	2,314,990

b) Capital assets

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of contributions and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2003 $	2002 $
Balance - beginning of year	28,096,877	29,164,668
Additional contributions received	8,378,807	2,719,031
Add: Amounts transferred from expenses of future periods	854,302	122,128
Less: Amounts amortized to revenue	(4,436,851)	(3,908,950)
	32,893,135	28,096,877

The balance of unamortized capital contributions related to capital assets consists of the following:

	2003 $	2002 $
Unamortized capital contributions used to purchase capital assets	32,808,933	28,017,271
Unspent contributions	84,202	79,606
	32,893,135	28,096,877

9 Long-term debt

	2003 $	2002 $
Promissory note to the Government of Manitoba, bearing interest at 6.25% and repayable in monthly principal amounts of $76,754 plus interest, commencing April 2001	15,657,895	16,578,948
Promissory note to the Government of Manitoba, bearing a variable interest rate (equivalent to the 30-day bankers' acceptance rate plus 25 basis points) and repayable in monthly principal amounts of $50,439 plus interest, commencing March 31, 2003	11,449,561	-
	27,107,456	16,578,948
Less: Current portion of long-term debt	(1,526,316)	(921,053)
	25,581,140	15,657,895

The amount of principal payments in each of the next five years and thereafter are as follows:

	$
March 31, 2004	1,526,316
2005	1,526,316
2006	1,526,316
2007	1,526,316
2008	1,526,316
Thereafter	19,475,876
	27,107,456

10 Externally restricted fund balances

The major category of externally imposed restrictions on fund balances are as follows:

	2003 $	2002 $
Restricted for research projects, education purposes and other specific purposes	2,721,702	2,179,712

11 Revenue from Manitoba Health

	$
Revenue as per Manitoba Health's final funding document	47,656,843
Add: Accounts receivable (note 3)	1,108,282
Less: Adjustments	(83,068)
Total funding approved by Manitoba Health	48,682,057
Less: Accrued current operating surplus repayable to Manitoba Health	(154,197)
Less: Amounts recorded as deferred contributions	(7,138,103)
	41,389,757

12 Fair value of financial instruments

The carrying value of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of the relatively short period to maturity of the instruments.

The fair values of investments are measured at the current market rates at March 31, 2003. The fair market value of investments at March 31, 2003 and 2002 is $2,130,227 and $2,155,697, respectively.

Management has reviewed currently available information regarding those investments whose market value is less than carrying value, and has determined that the carrying values are expected to be recovered. The carrying value of those investments is $541,183 and the market value is $432,258.

13 Comparative figures

Certain of the prior year's figures have been restated to conform with the current year's presentation.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Centre Culturel Franco-Manitobain

We have audited the statement of financial position of The Centre Culturel Franco-Manitobain as at March 31, 2003 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 27, 2003

CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Financial Position

March 31	2003	2002
	$	$
Assets		
Current Assets		
Cash and bank	-	45,806
Grants receivable	46,141	59,805
Accounts receivable	37,846	68,299
Inventory	37,098	39,333
Prepaid expenses	20,501	18,608
	141,586	231,851
Non-Current Assets		
Accounts receivable – Province of Manitoba (Note 9)	25,891	25,891
Capital assets (Note 3)	71,749	84,320
	97,640	110,211
	239,226	342,062
Liabilities and Fund Balances		
Current Liabilities		
Bank indebtedness	56,323	-
Accounts payable and accrued liabilities	55,065	90,165
Deferred contributions (Note 4)	8,858	38,288
Rental and damage deposits	18,239	19,406
Capital lease obligation – current portion (Note 10)	13,513	13,512
	151,998	161,371
Non-Current Liabilities		
Deferred contributions related to capital assets (Note 5)	51,333	67,295
Capital lease obligation (Note 10)	-	13,513
	51,333	80,808
	203,331	242,179
Fund Balances		
Unrestricted Funds		
Operations	(58,834)	(15,443)
Cultural Programs	87,826	115,326
Invested in capital assets	6,903	-
	35,895	99,883
	239,226	342,062

Approved on behalf of the Board:

Muriel Fordant Director

Gilbert Savard Director

CENTRE CULTUREL FRANCO-MANITOBAIN

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2003

	Operations	Cultural Programs	Capital	Fund Raising	2003	2002
	$	$	$	$	$	$
Revenue						
Grants						
Government of Manitoba	324,100	37,360	77,326	-	438,786	417,546
Government of Canada	1,393	205,127	-	-	206,520	166,832
Miscellaneous	-	21,960	-	-	21,960	36,350
Bingos	-	-	-	10,500	10,500	8,000
Café Jardin	307,754		-	-	307,754	328,084
Admission fees	-	36,413	-	-	36,413	24,031
Hall and office rental (Note 11)	137,921	-	-	-	137,921	132,181
Administration fees	10,827	-	-	-	10,827	7,279
Technical services	48,139	-	-	-	48,139	33,931
Sale of office supplies	7,381	-	-	-	7,381	7,123
Commissions	7,219	285	-	-	7,504	18,343
Interest	1,880	-	-	-	1,880	1,070
Advertising	-	2,039	-	-	2,039	3,681
Corporate sponsorships and donations	200	8,014	-	2,000	10,214	10,802
Miscellaneous (Note 13)	58,762	16,437	-	243	75,432	65,069
	905,566	327,635	77,326	12,743	1,323,270	1,260,322
Expenditures						
Operations (Note 6)	616,337	359,664	-	-	976,001	859,310
Café Jardin	324,020	-	-	-	324,020	319,382
Repairs (Note 7)	-	-	43,887	-	43,887	44,206
Strategic planning	-	7,814	-	-	7,814	5,641
Amortization of capital assets	-	-	33,172	-	33,172	31,554
Interest on capital lease	-	-	1,964	-	1,964	1,964
Fundraising						
Bingos	-	-	-	400	400	154
Parasols	-	-	-	-	-	1,344
	940,357	367,478	79,023	400	1,387,258	1,263,555
Excess of revenue (expenditures)	(34,791)	(39,843)	(1,697)	12,343	(63,988)	(3,233)
Fund balance, beginning of year, as previously reported	(5,885)	115,594	-	-	109,709	105,438
Prior period adjustment for severance pay (Note 8)	(9,558)	(268)	-	-	(9,826)	(2,322)
Fund balances, beginning of year, restated	(15,443)	115,326	-	-	99,883	103,116
Fund balances, end of year before interfund transfers	(50,234)	75,483	(1,697)	12,343	35,895	99,883
Interfund transfers	(8,600)	12,343	8,600	(12,343)	-	-
Fund balances, end of year	(58,834)	87,826	6,903	-	35,895	99,883

CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Cash Flows

For the year ended March 31	2003	2002
	$	$
Cash flows provided by (used for) operating activities		
Excess of expenses over expenditures	**(63,988)**	(3,233)
Amortization of capital assets	**33,172**	31,554
Amortization of deferred contributions related to capital assets	**(17,962)**	(18,040)
Net change in non-cash working capital items		
Grants receivable	**13,664**	(3,976)
Accounts receivable	**30,453**	(12,617)
Inventory	**2,235**	(7,283)
Prepaid expenses	**(1,893)**	(2,187)
Accounts payable and accrued liabilities	**(35,100)**	(48,363)
Deferred contributions	**(29,430)**	16,721
Rental and damage deposits	**(1,167)**	5,083
Net cash outflows for operating activities	**(70,016)**	(42,341)
Cash flows provided by (used for) financing and investing activities		
Purchase of capital assets	**(20,601)**	-
Contributions related to capital assets	**2,000**	10,000
Capital lease obligation	**(13,512)**	(13,514)
Net cash outflows for financing and investing activities	**(32,113)**	(3,514)
Decrease in cash and bank for the year	**(102,129)**	(45,855)
Cash and bank, beginning of year	**45,806**	91,661
(Bank indebtedness) cash and bank, end of year	**(56,323)**	45,806

1. General Information

The Centre Culturel Franco-Manitobain was incorporated under Chapter C45 of the Statutes of the Province of Manitoba. The Corporation's objects are to maintain, encourage, foster and sponsor, by all means available, all types of cultural activities in the French language and to make French-Canadian culture known to all residents of the province.

2. Accounting Policies

(a) Capital Assets
Acquired capital assets are stated at their acquisition cost less accumulated amortization and are amortized using the diminishing balance method at the following annual rates:

Technical equipment	20%
Computer equipment – pre 2001	30%
Kitchen equipment	20%
Cash registers	20%
Furniture and fixtures	20%
Security system	20%
Maintenance equipment	20%

Computer equipment acquired in 2001 at a cost of $79,052 is amortized on a straight-line basis over four years.

(b) Use of Building
The use of the building is accounted for as described in Note 11.

(c) Recognition of Revenue
Grants received for specific projects are recognized as revenue in the year in which the related expenditures are incurred. The remaining balance of grants received is accounted for as deferred contributions in the statement of financial position. Unrestricted contributions are recognized as revenue when received or receivable.

(d) Fund Balances
The financial resources of the Corporation are allocated to four funds corresponding to the Corporation's activities and objectives as follows:

Unrestricted Funds
Operations – Includes transactions related to the maintenance of facilities, the general operations of the Corporation and the Café Jardin.

Cultural Programs – Includes transactions related to the delivery of cultural programs as outlined in the objectives of the Corporation. Annually, the Corporation determines the value of the space used for cultural programs based on the rate normally charged to other tenants and charges this amount to the Cultural Programs Fund (see Note 6 - $14,337 in 2002).

2. Accounting Policies (continued)

Restricted Funds
Capital – Involves external restrictions and is used for recording major repairs related to the building's operations as well as the amortization of capital assets. At year end, an interfund transfer is recorded from the Operations Fund to the Capital Fund representing the Corporation's net invesiment in capital assets.

Fundraising – Includes transactions related to fundraising activities. The fund balance must be used to subsidize cultural activities and is included in the interfund transfers.

(e) Inventory

Inventory is valued at the lower of cost, using the first in first out method, and net realizable value.

(f) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

3. Capital Assets

	2003		2002	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	$	$	$	$
Technical equipment	111,190	92,426	111,190	87,735
Computer equipment	113,439	91,359	113,439	70,603
Kitchen equipment	18,771	13,137	18,771	11,729
Cash registers	5,200	4,436	5,200	4,245
Furniture and fixtures	3,000	2,174	3,000	1,968
Security system	17,580	10,380	17,580	8,580
Maintenance equipment	20,601	4,120	-	-
	289,781	218,032	269,180	184,860
Net book value		71,749		84,320

4. Deferred Contributions

Deferred contributions represent unspent resources received during the year related to matching expenditures of subsequent periods.

	2003 $	2002 $
Balance, beginning of year	38,288	21,567
Grants and other amounts received during the year	27,704	67,727
Less amounts recognized as revenue during the year		
Operations	(13,247)	(6,800)
Repairs	(43,887)	(44,206)
Balance, end of year	8,858	38,288

5. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized portion of grants received with which capital assets have been purchased and grants received with which capital assets will be purchased.

	2003 $	2002 $
Unamortized grants received for capital assets purchased	51,333	57,295
Grant for tractor addition to be purchased	-	10,000
Balance, end of year	51,133	67,295

Changes in deferred contributions related to capital assets are as follows:

	2003 $	2002 $
Balance, beginning of year	67,295	75,335
Grants received during the year	2,000	10,000
Amount amortized to revenue	(17,962)	(18,040)
Balance, end of year	51,333	67,295

6. Operations Fund and Cultural Programs Fund Expenditures

	2003			2002
	Operations	Cultural Programs	Total	Total
	$	$	$	$
Salaries and benefits (Note 13)	356,482	167,177	523,659	478,150
Employment contracts	61,311	112,439	173,750	121,919
Pension	5,588	2,582	8,170	6,777
Utilities (Note 13)	99,234	-	99,234	101,834
Equipment rentals and maintenance	23,132	6,026	29,158	37,195
Office expenses	17,859	6,011	23,870	20,072
Internal rental	(13,562)	13,562	-	-
Equipment purchase	558	-	558	498
Supplies	21,865	5,492	27,357	22,184
Meetings and travel	5,869	14,338	20,207	12,688
Advertising and promotion	7,129	22,733	29,862	28,252
Professional fees	8,260	-	8,260	10,714
Insurance and permits	13,251	2,933	16,184	11,487
Training	-	1,305	1,305	80
Bad debts	1,854	-	1,854	222
Bank charges and interest	7,334	-	7,334	6,293
Miscellaneous	173	5,066	5,239	945
	616,337	359,664	976,001	859,310

7. Repairs

	2003	2002
	$	$
Carpeting	12,000	-
Repairs and maintenance	9,320	2,981
Computer	8,348	266
Technical equipment	6,666	4,901
Postage meter	4,430	-
Landscaping	2,500	3,602
Security system	446	-
Tables and chairs	177	-
Roof repairs	-	32,456
	43,887	44,206

8. Correction of Severance Pay Liability and Related Receivables

As a result of determining that a liability for severance pay does not exist, the Corporation has recorded a prior period adjustment to eliminate both the severance liability of $21,474 and the related receivable from the Province of Manitoba of $31,300. The correction has been applied retroactively by decreasing the fund balance at April 1, 2002 by $9,826, decreasing the fund balance at April 1, 2001 by $2,322, increasing expenses for the year ended March 31, 2002 by $7,504 and decreasing the excess of revenue over expenditure by $7,504 for the year ended March 31, 2002.

9. Vacation Pay Receivable

Effective March 31, 1995, the Corporation commenced recording the estimated liability for vacation pay for its employees. The amount of this estimated liability is determined on March 31 of each year based on eligible vacation entitlements.

The Province of Manitoba has accepted responsibility for the vacation pay benefits accumulated to March 31, 1995 by the Corporation's employees. Accordingly, the Corporation recorded, effective March 31, 1995, a receivable of $25,891 from the Province of Manitoba, which is an amount that is equal to the estimated liability for vacation pay benefits at March 31, 1995.

This receivable from the Province of Manitoba has no terms of repayment and, accordingly, the amount of this receivable will remain fixed at $25,891.

10. Capital Lease Obligation

The following is a schedule of minimum lease payments under a capital lease for computer equipment. The lease expires in March 2004.

	$
Total minimum lease payments in 2004	15,477
Less amount representing interest	1,964
Present value of capital lease payments	13,513
Less current portion included in current liabilities	13,513
Obligation under capital lease	-

11. Use of Building

The building used by the Corporation is owned by the Province of Manitoba and is made available to the Corporation rent-free. The Corporation is responsible for all operating and maintenance costs except for third party liability insurance, which is provided by the Province.

The Corporation charges rent to all tenants, groups and organization that make use of the building. This rental revenue is retained by the Corporation and recorded as revenue in the Operations Fund, thereby reducing the Corporation's reliance on funding from the Province.

12. Financial Instruments

The financial instruments consist of grants receivable, accounts receivable, accounts payable and accrued liabilities. It is the management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

13. Centre du Patrimoine

The capital costs of this archival centre were funded equally by the Governments of Canada and Manitoba. Ownership of the centre is that of the Province of Manitoba. The centre is operated by La Société Historique de Saint-Boniface (SHSB).

The Centre Culturel Franco-Manitobain (CCFM) pays utility and maintenance costs related to the archival centre. Those utility and maintenance costs are recorded in utilities and salaries and benefits expenditures (Note 6). CCFM recovers the utility and maintenance costs from the SHSB. Those recoveries are recorded in miscellaneous revenue and amount to $48,792 in 2003 ($52,307 in 2002).

14. Comparative Amounts

Certain comparative amounts have been restated to conform to the current year's presentation.

BDO

BDO Dunwoody LLP
Chartered Accountants
and Consultants
www.bdo.ca

480 Saskatchewan Ave W
Portage la Prairie Manitoba Canada R1N 0M4
Telephone (204) 857-2856
1-800-897-6246
Telefax (204) 239-1664

AUDITORS' REPORT TO THE DIRECTORS

We have audited the statement of financial position of Child and Family Services of Central Manitoba as at March 31, 2003 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2003 and the results of its operations and the changes in cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP.

Chartered Accountants

Portage la Prairie, Manitoba

May 14, 2003

CHILD AND FAMILY SERVICES OF CENTRAL MANITOBA

Statement of Financial Position

March 31, 2003, with comparative figures for 2002

	Central Program Support Fund	Ward Care Fund	Family Support Innovations Fund	Family Support Fund	Capital Fund	Total 2003	Total 2002
Assets							
Current assets:							
Cash and short-term investments	$ 161,219	$ –	$ –	$ –	$ –	$ 161,219	$ 190,098
Accounts receivable	20,249	4,507	–	–	–	24,756	16,839
Receivable from Child and Family Services of Central Manitoba Foundation Inc.	–	–	–	–	–	–	18,368
Receivable from Department of Family Services and Housing (note 3)	163,651	8,367	–	–	–	172,018	167,537
Prepaid expenses	12,828	161	–	–	–	12,989	35,877
Inter-fund balances	(886,965)	807,600	24,057	59,015	(3,707)	–	–
	(529,018)	820,635	24,057	59,015	(3,707)	370,982	428,719
Investments (note 4)	152,678	–	–	–	–	152,678	150,743
Capital assets (note 5)	–	–	–	–	604,217	604,217	565,182
Deferred severance / retirement entitlement	77,596	–	–	–	–	77,596	85,356
	$ (298,744)	$ 820,635	$ 24,057	$ 59,015	$ 600,510	$1,205,473	$1,230,000

	Central Program Support Fund	Ward Care Fund	Family Support Innovations Fund	Family Support Fund	Capital Fund	Total 2003	Total 2002
Liabilities and Fund Balances							
Current liabilities:							
Accounts payable and accrued liabilities	$ 107,151	$ 97,140	$ –	$ –	$ –	$ 204,291	$ 137,059
Accrued vacation pay entitlement	141,131	–	–	–	–	141,131	147,909
Payable to Child & Family Services of Central Manitoba Foundation Inc.	(15,711)	–	–	–	30,564	14,853	–
Payable to Central Region Healthy Child Coalition	2,246	–	–	–	–	2,246	11,739
Current portion of long-term debt	–	–	–	–	–	–	3,845
	234,817	97,140	–	–	30,564	362,521	300,552
Accrued severance / retirement entitlement	197,099	–	–	–	–	197,099	161,844
Deferred contributions (note 6)	–	–	24,057	–	393,837	417,894	414,932
Fund balances:							
Invested in net capital assets	–	–	–	–	176,109	176,109	184,890
Externally restricted	–	723,495	–	59,015	–	782,510	743,661
Unrestricted	(730,660)	–	–	–	–	(730,660)	(575,879)
	(730,660)	723,495		59,015	176,109	227,959	352,672
Lease commitments (note 7)							
	$ (298,744)	$ 820,635	$ 24,057	$ 59,015	$ 600,510	$1,205,473	$1,230,000

See accompanying notes to financial statements.

Approved on behalf of the Board:

Dennis Walker Director

Evelyn Currie Director

CHILD AND FAMILY SERVICES OF CENTRAL MANITOBA

Statement of Operations and Changes in Fund Balances

March 31, 2003, with comparative figures for 2002

	Central Program Support Fund	Ward Care Fund	Family Support Innovations Fund	Family Support Fund	Capital Fund	Total 2003	Total 2002
Revenues:							
Provincial Government funding	$ 2,249,720	$1,497,256	$ –	$ 97,500	$ –	$3,844,476	$ 3,881,385
Interest income	12,537	–	–	–	–	12,537	15,775
Contributions from parents	–	7,339	–	–	–	7,339	(258)
Contribution from Child and Family Services of Central Manitoba Foundation Inc.	2,726	–	–	–	–	2,726	2,665
Amortization of deferred contributions (note 6)	–	–	78,772	–	13,882	92,654	89,394
Other	4,730	–	–	–	–	4,730	3,400
	2,269,713	1,504,595	78,772	97,500	13,882	3,964,462	3,992,361
Expenditures:							
Salaries and benefits	2,026,449	–	73,519	51,162	–	2,151,130	2,147,069
Travel and other field service costs	128,020	63,724	5,253	–	–	196,997	171,576
Office maintenance	55,326	–	–	–	–	55,326	56,396
Office operations	124,156	–	–	–	–	124,156	135,173
Service support	62,699	–	–	–	–	62,699	67,393
Other support	27,844	–	–	–	–	27,844	21,934
Ward care expenditures	–	1,418,787	–	29,573	–	1,448,360	1,372,702
Amortization of capital assets	–	–	–	–	22,663	22,663	20,131
Mortgage interest	–	–	–	–	–	–	1,258
	2,424,494	1,482,511	78,772	80,735	22,663	4,089,175	3,993,632
(Deficiency) excess of revenues over expenditures	(154,781)	22,084	–	16,765	(8,781)	(124,713)	(1,271)
Fund balances (deficit), beginning of year	(575,879)	701,411	–	42,250	184,890	352,672	353,943
Fund balance (deficit), end of year	$ (730,660)	$ 723,495	$ –	$ 59,015	$ 176,109	$ 227,959	$ 352,672

See accompanying notes to financial statements.

CHILD AND FAMILY SERVICES OF CENTRAL MANITOBA

Statement of Cash Flows

Year ended March 31, 2003, with comparative figures for 2002

	2003	2002
Cash and cash equivalents provided by (used in):		
Operating activities:		
(Deficiency) excess of revenues over expenditures	$ (124,713)	$ (1,271)
Items not involving cash:		
Amortization of capital assets	22,663	20,131
Amortization of deferred contributions	(92,654)	(89,394)
Amortization of severance / retirement entitlement	7,760	7,967
	(186,944)	(62,567)
Change in non-cash operating working capital:		
Accounts receivable	(7,917)	12,963
Receivable from Child and Family Services of Central Manitoba Foundation Inc.	33,221	(2,665)
Receivable from Department of Family Services and Housing	(4,481)	50,455
Prepaid expenses	22,888	(5,502)
Accounts payable and accrued liabilities	67,232	35,097
Accrued vacation pay entitlement	(6,778)	16,204
Accrued severance / retirement benefit	35,255	29,611
	(47,524)	73,596
Financing and investing activities:		
Additions to capital assets	(61,698)	(34,004)
Mortgage principal repayments	(3,845)	(24,029)
Additions to investments	(1,935)	(10,843)
Restricted contributions received	95,616	97,436
Payable to Central Region Healthy Child Coalition	(9,493)	(12,918)
	18,645	15,642
(Decrease) increase in cash and cash equivalents	(28,879)	89,238
Cash and cash equivalents, beginning of year	190,098	100,860
Cash and cash equivalents, end of year	$ 161,219	$ 190,098
Cash and cash equivalents consist of:		
Cash	$ 93,227	$ 124,246
Short-term investments	67,992	65,852
	$ 161,219	$ 190,098
Additional Information:		
Interest received	$ 10,337	$ 21,184

See accompanying notes to financial statements.

1. General:

The Agency is incorporated under the laws of Manitoba as The Children's Aid Society of Central Manitoba and operates under the name of Child and Family Services of Central Manitoba, providing child and family services to those in need in the central region of Manitoba. The Agency is a registered charitable Agency under the Income Tax Act.

2. Significant accounting policies:

The Agency follows the deferral method of accounting for contributions.

(a) Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

(b) Fund accounting:

Revenues and expenditures related to program delivery and administrative activities are reported in the Central / Program Support Fund.

Revenues and expenditures directly related to children in care and children not in care are reported in the Ward Care Fund.

Any revenues in excess of expenditures in the Ward Care Fund are restricted for ward care purposes unless prior approval is received from the Province of Manitoba.

Revenues and expenditures related to the Family Support Innovations Program are reported in the Family Support Innovations Fund.

The Capital Fund reports the assets, liabilities, revenues and expenditures related to the Agency's capital assets.

(c) Revenue recognition:

Restricted contributions are deferred and recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the Central / Program Support Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives, which for buildings is 50 years and for equipment is 5 years. Amortization expense is reported in the Capital Fund.

(e) Investments:

(i) Long-term investments:

Long-term bonds and investments are recorded at cost.

(ii) Temporary investments:

Temporary investments are stated at the lower of cost and market value.

(f) Contributed services:

Volunteers contribute numerous hours annually to assist the Agency in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(g) Vacation entitlement:

Vacation entitlement is recorded in the period that the service to which it relates is provided. Accrued vacation entitlement is recorded to the extent that a vacation entitlement liability exists at the period end.

Funding for the vacation entitlement is accrued in the period that the vacation entitlement is accrued. To the extent that this vacation entitlement funding has not been received by the period end, it is recorded as a receivable from the Department of Family Services.

(h) Defined Contribution Pension Plan:

The Agency's pension plan is administered by the United Way. All expenses consist of the contributions required under the plan.

(i) Severance / Retirement Entitlement:

Severance / Retirement entitlement is recorded in the period the service to which it relates is provided. Accrued severance / retirement is recorded to the extent that a severance / retirement liability exists at the period end. The liability is discounted from the date at which the employee would become entitled to an amount to the period end using a discount rate of 6.25%.

The net present value of the liability as at April 1, 2000, being the date at which the Agency became liable for the severance / retirement entitlement has been recorded as a deferred severance / retirement entitlement and is being amortized to expense on the straight-line basis over 13 years, being the average number of years until the employee group becomes entitled to an amount.

2. Significant accounting policies (continued):

(j) Financial Instruments:

The Agency's financial instruments consist of cash, temporary and long-term investments, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair market values of these financial instruments approximate their carrying values, unless otherwise noted.

3. Receivable from Department of Family Services and Housing:

	2003	2002
Central / Program Support Fund:		
Accrued vacation pay entitlement	$ 141,131	$ 147,909
Staff secondment	22,520	8,788
	163,651	156,697
Ward Care Fund:		
Recovery of exceptional costs	8,367	10,840
	$ 172,018	$ 167,537

4. Investments:

Short-term and long-term investments are comprised of term deposits, guaranteed investment certificates and bonds with effective interest rates of 1.25% to 5.5% (2002 – 1.6% to 5.5%). Interest is receivable annually and upon maturity. Maturity dates range from June 27, 2003 to July 18, 2005.

5. Capital assets:

	Cost	Accumulated Amortization	Net Book Value 2003	Net Book Value 2002
Land	$ 8,172	$ –	$ 8,172	$ 8,172
Building	846,977	280,560	566,417	526,177
Furniture and equipment	48,506	42,162	6,344	8,974
Leasehold improvements	23,747	4,263	19,484	21,859
Automotive	4,470	670	3,800	–
	$ 931,872	$ 327,655	$ 604,217	$ 565,182

6. Deferred contributions:

(a) Deferred contributions reported in the Family Support Innovation Fund relate to restricted contributions, which have not yet been disbursed for their intended purpose.

Changes in the deferred contributions balance reported in the Family Support Innovation Fund are as follows:

	2003	2002
Balance, beginning of year	$ 32,129	$ 37,547
Add restricted contributions received in the year	70,700	70,700
Less amount recognized as revenue in the year	78,772	76,118
Balance, end of year	$ 24,057	$ 32,129

(b) Deferred contributions reported in the Capital Fund include the unamortized portions of contributed capital assets and restricted contributions relating to the Agency's furniture and equipment and building.

Changes in the deferred contributions balance reported in the Capital Fund are as follows:

	2003	2002
Balance, beginning of year	$ 382,803	$ 369,343
Add restricted contributions received in the year and not yet disbursed	24,916	26,736
Less amount recognized as revenue in the year	13,882	13,276
	$ 393,837	$ 382,803

7. Lease commitments:

The Agency leases vehicles under long-term operating leases, which expire May 2004. The minimum lease payments due on these operating leases in the next 2 years are approximately as follows:

2004	$ 37,500
2005	3,121

The Agency leases office premises and certain equipment under operating leases, which expire between June 2003 and January 2007. The following is a schedule of future minimum lease payments due in each of the next 4 years under these leases:

2004	$ 34,245
2005	26,178
2006	22,572
2007	6,810

8. Related party:

Child and Family Services of Central Manitoba and Child and Family Services of Central Manitoba Foundation Inc. are related by virtue of certain common members of their Board of Directors.

During the year the following transactions took place with Child and Family Services of Central Manitoba:

- The Foundation paid administration fees of $2,726 (2002 - $2,665).
- The Agency paid interest on the mortgage to the Foundation of nil (2002 - $1,258).

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

BDO

BDO Dunwoody LLP
Chartered Accountants
and Consultants
www.bdo.ca

[illegible] Street
Brandon Manitoba Canada [illegible]
Telephone (204) 727-0671
Telefax (204) 726-4580

AUDITORS' REPORT

TO BOARD OF DIRECTORS
CHILD AND FAMILY SERVICES OF WESTERN MANITOBA:

We have audited the statement of financial position of **CHILD AND FAMILY SERVICES OF WESTERN MANITOBA** as at **MARCH 31, 2003** and the statements of surplus and operations for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at **MARCH 31, 2003** and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting priniciples.

BDO Dunwoody LLP

Brandon, Manitoba
May 7, 2003

CHARTERED ACCOUNTANTS

BDO Dunwoody LLP *is a Limited Liability Partnership registered in Ontario*

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - CONSOLIDATED
March 31, 2003

ASSETS	2003	2002
CURRENT		
Cash	$ 368,161	500,395
Term deposits	229,458	347,139
Accounts receivable	554,424	548,804
Prepaid expenses	13,780	57,711
Employees' Trust Certificates	689	689
Discounted certificates	9,577	9,117
	1,176,089	1,463,855
CAPITAL ASSETS (Notes and 3)	2,084,514	2,153,084
	$ 3,260,603	3,616,939

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - CONSOLIDATED
March 31, 2003

	2003	2002
LIABILITIES		
CURRENT		
Deferred revenue	$ 8,639	10,809
Working capital advance	29,600	29,600
Accounts payable	514,638	539,701
Current portion of long-term debt	13,495	14,470
Funds held in trust	2,133	3,610
Employees' Trust Certificates	9,575	9,117
	578,080	607,307
LONG-TERM DEBT - BUILDING (Note 4)	719,234	733,691
SPECIAL ALLOWANCE TRUST FUND	113,412	111,647
	1,410,726	1,452,645
SURPLUS (DEFICIT)		
Operating Fund	180,576	359,230
Capital Fund	1,351,785	1,404,923
Trust Fund	317,516	400,141
	1,849,877	2,164,294
	$ 3,260,603	3,616,939

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - OPERATING FUND
March 31, 2003

ASSETS		2003	2002
CURRENT			
Cash	$	155,924	304,274
Term deposits		11,145	11,145
Accounts receivable		179,575	174,514
Due from Province of Manitoba - vacation pay		373,029	369,190
Prepaid expenses		13,780	12,711
	$	733,453	871,834

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - OPERATING FUND
March 31, 2003

		2003	2002
	LIABILITIES		
CURRENT			
Deferred revenue	$	8,639	10,809
Working capital advance		29,600	29,600
Accounts payable		514,638	472,195
		552,877	512,604
	SURPLUS (DEFICIT)		
Central Program Support		159,124	235,281
Resource Centre		13,582	
Family Support Services & Brandon Avenue Projects		107,663	82,236
Child Maintenance		(222,655)	(82,413)
McVicar Street			
Residential Care		55,957	17,669
Early Learning Canada			
Adoptive Families Project		4,612	4,430
Parenting Skills Project		2,403	1,932
Parenting Child Centres		3,386	39,056
Intensive Crisis Intervention			
Pre-school Enrichment			
Victoria Day Care		52,939	50,458
Early Start Project		8,241	10,581
Downtown Day Care		(4,676)	
		180,576	359,230
	$	733,453	871,834

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - TRUST FUND
March 31, 2003

	2003	2002
ASSETS		
CURRENT		
Cash	$ 212,237	196,121
Term deposits	218,313	335,994
Accounts receivable	1,820	5,100
Employees' Trust Certificates	689	689
Discounted certificate	9,577	9,117
Prepaid expense		45,000
	$ 442,636	592,021

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - TRUST FUND
March 31, 2003

	2003	2002
LIABILITIES		
CURRENT		
Funds held in trust - clients	$ 2,133	1,939
Accounts payable		67,506
Discounted certificate	9,575	9,117
Client trust certificates		1,671
	11,708	80,233
SPECIAL ALLOWANCE TRUST FUND	113,412	111,647
	125,120	191,880
SURPLUS		
Surplus - Staff gift fund	2,993	2,630
Surplus - Sun fund	10,102	15,331
Surplus - Facility account	163,873	102,716
Surplus - Holding account	27,589	21,128
Surplus - Other trust accounts	17,245	20,383
Surplus - Endowment fund	66,137	212,627
Surplus - New main office building		
Surplus - Other trust programs	29,577	25,326
	317,516	400,141
	$ 442,636	592,021

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - CAPITAL FUND
March 31, 2003

	2003	2002
ASSETS		
CAPITAL ASSETS (Notes and 3)	$ 2,084,514	2,153,084
LIABILITIES		
CURRENT		
Current portion of long-term debt	13,495	14,470
LONG-TERM DEBT - BUILDING (Note 4)	719,234	733,691
	732,729	748,161
SURPLUS		
INVESTMENT IN CAPITAL ASSETS, per schedule	1,351,785	1,404,923
	$ 2,084,514	2,153,084

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - OPERATING FUND
March 31, 2003

		2003	2002
CENTRAL PROGRAM SUPPORT			
SURPLUS, BEGINNING OF YEAR	$	235,281	157,581
Surplus (deficit) for year		(17,957)	77,700
Surplus transfer to Child Maintenance		(58,200)	
SURPLUS, END OF YEAR	$	159,124	235,281
RESOURCE CENTRE			
SURPLUS, BEGINNING OF YEAR	$		5,579
Deficit for year		(16,418)	(5,579)
Surplus transfered from Parent Child Centres		30,000	
SURPLUS, END OF YEAR	$	13,582	
FAMILY SUPPORT SERVICES & BRANDON AVENUE PROJECTS			
SURPLUS, BEGINNING OF YEAR	$	82,236	45,155
Surplus for year		25,427	37,081
SURPLUS, END OF YEAR	$	107,663	82,236
CHILD MAINTENANCE OPERATIONS			
SURPLUS (DEFICIT), BEGINNING OF YEAR	$	(82,413)	21,498
Deficit for year - Child Maintenance		(236,158)	(101,863)
Surplus (deficit) for year - McVicor Street			(2,610)
Surplus for year - J&B Project		13,516	562
Surplus transfered from Central Program Support		58,200	
Deficit recovery - Province of Manitoba		24,200	
SURPLUS (DEFICIT), END OF YEAR	$	(222,655)	(82,413)
RESIDENTIAL CARE			
SURPLUS, BEGINNING OF YEAR	$	17,669	44,064
Surplus (deficit) for year		38,288	(26,395)
SURPLUS, END OF YEAR	$	55,957	17,669
EARLY LEARNING CANADA			
SURPLUS, END OF YEAR	$		

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - OPERATING FUND
March 31, 2003

		2003	2002
ADOPTIVE FAMILIES PROJECT			
SURPLUS, BEGINNING OF YEAR	$	4,430	3,363
Surplus for year		182	1,067
SURPLUS, END OF YEAR	$	4,612	4,430
PARENTING SKILLS PROJECT			
SURPLUS, BEGINNING OF YEAR	$	1,932	715
Surplus for year		471	1,217
SURPLUS, END OF YEAR	$	2,403	1,932
PARENT CHILD CENTRES			
SURPLUS, BEGINNING OF YEAR	$	39,056	
Surplus (deficit) for year		(5,670)	39,056
Surplus transfered to Resource Centre		(30,000)	-
SURPLUS, END OF YEAR	$	3,386	39,056

STATEMENT OF SURPLUS (DEFICIT) - OPERATING FUND
March 31, 2003

		2003	2002
INTENSIVE CRISIS INTERVENTION PROJECT			
SURPLUS, BEGINNING OF YEAR	$		
SURPLUS, END OF YEAR	$		
PRESCHOOL ENRICHMENT			
SURPLUS, BEGINNING OF YEAR	$		521
Surplus (deficit) for year			(521)
SURPLUS, END OF YEAR	$		
VICTORIA DAY CARE			
SURPLUS, BEGINNING OF YEAR	$	50,458	45,554
Surplus for year		2,481	4,904
SURPLUS, END OF YEAR	$	52,939	50,458
EARLY START PROJECT			
SURPLUS, BEGINNING OF YEAR	$	10,581	4,180
Surplus (deficit) for year		(2,340)	6,401
SURPLUS, END OF YEAR	$	8,241	10,581
DOWNTOWN DAY CARE			
SURPLUS, BEGINNING OF YEAR	$		
Surplus (deficit) for year		(9,476)	
Transfer from Trust Fund		4,800	
SURPLUS (DEFICIT), END OF YEAR	$	(4,676)	

STATEMENT OF INVESTMENT IN CAPITAL ASSETS - CAPITAL FUND
March 31, 2003

	2003	2002
INVESTMENT IN CAPITAL ASSETS, BEGINNING OF YEAR	$ 1,404,923	1,510,855
Principle payments on mortgage made by operating fund	15,430	14,331
Capital assets purchased by Operating Fund and Trust Fund	56,870	94,241
	1,477,223	1,619,427
Amortization for the year	125,438	123,970
Disposals during the year		90,534
INVESTMENT IN CAPITAL ASSETS, END OF YEAR	$ 1,351,785	1,404,923

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - TRUST FUND
March 31, 2003

		2003	2002
STAFF GIFT FUND			
SURPLUS, BEGINNING OF YEAR	$	2,630	2,024
Surplus for year		363	606
SURPLUS, END OF YEAR	$	2,993	2,630
SUN FUND			
SURPLUS, BEGINNING OF YEAR	$	15,331	12,777
Surplus (deficit) for year		(5,229)	2,554
SURPLUS, END OF YEAR	$	10,102	15,331
FACILITY FUND OPERATIONS			
SURPLUS, BEGINNING OF YEAR	$	102,716	59,087
Surplus for year		61,157	43,629
SURPLUS, END OF YEAR	$	163,873	102,716
HOLDING ACCOUNT OPERATIONS			
SURPLUS, BEGINNING OF YEAR	$	21,128	23,110
Surplus (deficit) for year		6,461	(1,982)
SURPLUS, END OF YEAR	$	27,589	21,128
OTHER TRUST ACCOUNTS			
SURPLUS, BEGINNING OF YEAR	$	20,383	21,021
Deficit for year		(3,138)	(638)
SURPLUS, END OF YEAR	$	17,245	20,383
ENDOWMENT FUND			
SURPLUS, BEGINNING OF YEAR	$	212,627	249,355
Deficit for year		(146,490)	(36,728)
SURPLUS, END OF YEAR	$	66,137	212,627

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - TRUST FUND
March 31, 2003

		2003	2002
OTHER TRUST PROGRAMS			
SURPLUS, BEGINNING OF YEAR	$	25,326	37,993
Surplus (deficit) for year		9,051	(12,667)
Transfer to General Fund		(4,800)	
SURPLUS, END OF YEAR	$	29,577	25,326

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OPERATIONS - COMBINED - OPERATING FUND
Year ended in March 31, 2003

	2003 Approved (Unaudited)	Actual	2002 Actual
REVENUE			
Central program	$ 3,666,099	3,585,979	3,655,236
Resource Centre	228,262	172,945	232,559
Family support services	402,800	421,656	425,255
Brandon Avenue Project		199,880	172,052
Child maintenance	2,122,024	2,192,589	2,146,244
McVicor street			88,944
J & B Project	185,160	199,880	172,052
Residential Care	783,189	821,994	744,985
Early Learning Canada	18,500	20,727	9,319
Adoptive families project	46,200	46,200	46,200
Parenting skills project	56,825	54,500	54,500
Child Care Centres	75,000	78,512	75,000
Pre-school enrichment	224,901	205,616	217,415
Victoria day care	327,834	343,931	301,249
Early start	78,000	79,133	78,000
	8,214,794	8,423,542	8,419,010
EXPENSES, per schedule	8,618,316	8,555,305	8,312,410
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND	(403,522)	(131,763)	106,600
Transfer to Capital Fund	56,500	54,748	73,217
SURPLUS (DEFICIT) ON OPERATING FUND OPERATIONS FOR YEAR	$ (460,022)	(186,511)	33,383

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF EXPENDITURES - COMBINED - OPERATING FUND
Year ended in March 31, 2003

	2003 Approved (Unaudited)	Actual	2002 Actual
Central program	$ 3,707,910	3,553,951	3,532,980
Resource Centre	227,262	189,363	237,320
Family support services	462,778	398,078	388,174
Brandon Avenue Project		186,364	169,689
Child maintenance	2,409,989	2,428,747	2,248,107
McVicor street			91,554
J & B Project	184,160	186,364	169,689
Residential Care	790,082	779,616	745,338
Early Learning Canada	18,500	20,727	9,319
Adoptive families project	46,200	46,018	45,133
Parenting skills project	56,825	54,029	53,283
Child Care Centres	83,415	84,182	35,944
Pre-school enrichment	224,401	204,943	217,936
Victoria day care	318,879	341,450	296,345
Early start	87,915	81,473	71,599
	$ 8,618,316	8,555,305	8,312,410

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OPERATIONS - CENTRAL PROGRAM SUPPORT - OPERATING FUND
March 31, 2003

	2003 Approved (Unaudited)	2003 Actual	2002 Actual
REVENUE			
Grants, Province of Manitoba	$ 3,364,900	3,364,900	3,364,900
Residential Care contract fees	45,634	45,634	57,990
Rebates and interest	13,500	10,510	18,721
Secondment costs	126,022	73,711	86,784
School Division revenue	25,000	22,928	23,048
Adoption fees	12,000	9,169	10,790
Community Campaign	8,000		8,000
Miscellaneous	30,093	27,448	17,469
Program Administration revenue	17,000	16,690	19,890
Foundation Transfer Central Program	23,950	24,589	23,644
Community Services Council grant			24,000
Rural programs		100	
Province of Manitoba - vacation pay		(9,700)	
	3,666,099	3,585,979	3,655,236
EXPENDITURES, per schedule			
Salaries, fees and related expenses	3,118,047	3,009,804	2,973,069
Field service	134,900	115,723	126,599
Office operation	120,076	115,507	120,383
Professional services	65,500	53,314	63,527
Staff development	13,500	14,368	12,221
Board expenses	15,100	15,152	16,914
Other expenses	72,050	58,853	52,349
Other Centres	58,300	58,492	57,701
Main office operations	110,437	112,738	110,217
	3,707,910	3,553,951	3,532,980
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND	(41,811)	32,028	122,256
Transfer to Capital Fund	51,000	49,985	44,556
SURPLUS (DEFICIT) ON CENTRAL PROGRAM SUPPORT FOR YEAR	$ (92,811)	(17,957)	77,700

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF CENTRAL PROGRAM SUPPORT EXPENDITURES - OPERATING FUND
March 31, 2003

	2003		2002
	Approved (Unaudited)	Actual	Actual
SALARIES, FEES AND RELATED EXPENSES			
Central support services	$ 192,586	190,612	151,799
Administration salaries	356,026	339,820	346,874
Supervisor salaries	389,246	373,152	380,452
Direct service - professionals	1,680,100	1,678,610	1,645,913
Payroll tax	58,378	57,243	55,401
Central program benefits	379,204	336,071	325,124
Severence package			67,506
Vacation pay change		(1,265)	
Administration Casual		8,807	
Family Visions - Salaries	62,507	26,754	
	3,118,047	3,009,804	2,973,069
FIELD SERVICE COSTS			
Car operation	42,000	30,447	36,469
Private mileage	52,000	46,860	49,818
Travelling	16,500	13,845	17,103
Car insurance	24,400	24,571	23,209
	134,900	115,723	126,599
OFFICE OPERATIONS			
Equipment	2,000	1,786	570
Repairs and maintenance	1,000	745	224
Computer, payroll and miscellaneous costs	7,600	8,154	7,580
Computer support	5,200	3,500	6,543
Postage	14,000	13,165	13,339
Telephone and telegragh	52,000	49,386	50,868
Supplies	20,000	21,235	19,298
Miscellaneous	1,000	49	5,000
Audit	8,772	9,010	8,482
Lease payments	8,479	8,477	8,479
Interest and exchange	25		
	$ 120,076	115,507	120,383

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF CENTRAL PROGRAM SUPPORT EXPENDITURES - OPERATING FUND
March 31, 2003

	2003		2002
	Approved (Unaudited)	Actual	Actual
PROFESSIONAL SERVICES			
Legal	$ 55,000	43,025	42,617
Foster Home Study			10,405
Consulting	7,500	7,502	7,472
Documents	3,000	2,787	3,033
	65,500	53,314	63,527
STAFF DEVELOPMENT			
Staff in training	12,000	13,534	10,950
Library	1,500	834	1,271
	13,500	14,368	12,221
BOARD EXPENSES			
Board training and expenses	15,100	15,152	16,914
OTHER			
Advertising	7,500	9,897	4,712
Membership fees	3,700	3,665	3,695
Family assistance	9,000	6,654	9,585
Annual meeting and public relations	11,500	8,584	10,224
Insurance	15,750	16,898	11,175
Program supplies	8,500	4,773	7,113
Program evaluation	5,000		
Rural community programs	8,000	5,282	2,745
M.A.P.P.	3,100	3,100	3,100
	72,050	58,853	52,349
OTHER BUILDINGS			
Rent	$ 58,300	58,492	57,701

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF CENTRAL PROGRAM SUPPORT EXPENDITURES - OPERATING FUND
March 31, 2003

		2003		2002
		Approved (Unaudited)	Actual	Actual
MAIN OFFICE OPERATIONS				
Mortgage payments	$	70,531	70,531	70,531
Repairs and maintenance		7,000	9,140	6,992
Janitorial		6,476	6,455	6,476
Building supplies		1,750	1,934	1,733
Hydro		9,000	8,858	8,893
Water		1,500	1,475	1,462
Gas		2,000	2,260	1,888
Property taxes		12,180	12,085	12,242
	$	110,437	112,738	110,217

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF RESOURCE CENTRE OPERATIONS - OPERATING FUND
March 31, 2003

	2003 Approved (Unaudited)	2003 Actual	2002 Actual
REVENUE			
Building operations	$ 54,000	54,000	54,000
Agency responsibility	64,237		
Career start grant	1,925	1,925	
Miscellaneous	7,600	7,428	11,977
Brandon and District United Way	20,000	20,083	20,493
Foundation	65,000	65,000	68,000
Endowment transfer			45,379
Campaign and donations	13,000	21,128	15,110
City of Brandon grant			15,000
Visitation access service	2,500	2,600	2,600
Brandon University Project		1,301	
Province of Manitoba - vacation pay		(520)	
	228,262	172,945	232,559
EXPENDITURES, per schedule			
Salaries	124,844	91,745	132,694
Program	23,150	17,752	27,060
Office and building	79,268	79,866	77,566
	227,262	189,363	237,320
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND	1,000	(16,418)	(4,761)
Transfer to Capital Fund	1,000		818
SURPLUS (DEFICIT) ON RESOURCE CENTRE OPERATIONS FOR YEAR	$	(16,418)	(5,579)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF RESOURCE CENTRE EXPENDITURES - OPERATING FUND

March 31, 2003

	2003		2002
	Approved (Unaudited)	Actual	Actual
SALARIES, FEES AND RELATED EXPENSES			
Salaries - Other Centres	91,537	61,397	100,921
Career Start Hourly	3,677	3,715	3,593
Benefits	17,081	14,697	15,759
Child care salaries	10,250	8,102	9,806
Payroll tax	2,299	2,601	2,615
B.U. Project Hourly		1,301	
Vacation pay change		(68)	
	124,844	91,745	132,694
PROGRAM EXPENSES			
Food	1,500	818	1,429
Kitchen and cleaning supplies	1,500	1,710	1,585
Child care activities	2,000	1,993	2,132
Program supplies	10,000	7,254	10,820
Transportation	7,000	4,930	9,616
Advertising	400	427	569
Staff training	300	170	489
Camp supplies	450	450	420
	23,150	17,752	27,060
OFFICE/BUILDING MAINTENANCE			
Supplies	1,500	880	1,717
Repairs and maintenance	7,000	6,118	7,347
Equipment and furniture	1,000	1,067	1,265
Cleaning costs	7,150	6,615	6,614
Telephone	5,200	5,519	5,016
Hydro	6,200	8,322	6,190
Water	1,150	905	1,103
Gas	11,000	11,386	10,804
Insurance	5,650	5,636	4,747
Rent	33,418	33,418	32,763
	$ 79,268	79,866	77,566

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FAMILY SUPPORT SERVICES OPERATIONS - OPERATING FUND
March 31, 2003

	2003 Approved (Unaudited)	2003 Actual	2002 Actual
REVENUE			
Province of Manitoba Family support	$ 352,800	352,800	352,800
Adoption - financial assistants	50,000	64,574	72,455
Province of Manitoba - vacation pay		4,282	
	402,800	421,656	425,255
EXPENDITURES			
Support worker salaries and benefits	122,545	110,493	109,762
Social workers assistants salaries and benefits	78,714	83,130	39,005
Family aides salaries and benefits	122,549	86,138	102,235
Homemaker salaries and benefits	32,856	9,569	13,793
Staff development		200	900
Support miscellaneous	2,150	2,213	1,321
Other family support	16,164	16,164	13,546
Support travel costs	35,000	23,048	32,654
Cell phones - support workers	2,800	2,549	2,503
Adoption - financial assistants	50,000	64,574	72,455
	462,778	398,078	388,174
SURPLUS (DEFICIT) ON FAMILY SUPPORT SERVICES FOR YEAR	$ (59,978)	23,578	37,081

STATEMENT OF BRANDON AVENUE PROJECT OPERATIONS - OPERATING FUND
March 31, 2003

	2003 Approved (Unaudited)	2003 Actual	2002 Actual
REVENUE			
Children Special Services	$ 45,000	45,000	45,000
Support transfer	16,164	16,164	13,546
Province of Manitoba - vacation pay		49	
	61,164	61,213	58,546
EXPENDITURES			
Salaries and benefits	54,964	53,349	52,109
Food	800	444	480
Transportation	3,000	3,319	3,381
Miscellaneous	400	252	576
Administration costs	2,000	2,000	2,000
	61,164	59,364	58,546
SURPLUS ON BRANDON AVENUE PROJECT OPERATIONS FOR YEAR	$	1,849	

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF CHILD MAINTENANCE OPERATIONS - OPERATING FUND
March 31, 2003

	2003		2002
	Approved (Unaudited)	Actual	Actual
REVENUE			
Province of Manitoba - level 1	$ 1,545,300	1,544,307	1,533,722
Parent and guardian	14,000	16,559	14,693
Exceptional circumstances/Repat	427,727	454,528	461,291
Repat		154	152
Special needs - other agencies		69,540	81,235
Basic - other agencies	134,997	42,234	53,762
Miscellaneous		267	1,389
FH Renovation - exceptional circumstances		65,000	
	2,122,024	2,192,589	2,146,244
EXPENDITURES, per schedule	2,409,989	2,428,747	2,248,107
DEFICIT ON CHILD MAINTENANCE OPERATIONS FOR YEAR	$ (287,965)	(236,158)	(101,863)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF CHILD MAINTENANCE EXPENDITURES - OPERATING FUND
March 31, 2003

	2003		2002
	Approved (Unaudited)	Actual	Actual
Regular rate foster home	$ 961,622	966,097	836,193
Independent living	81,680	82,025	71,026
Gifts	12,157	12,355	10,572
Education	26,467	26,246	23,015
Activities	30,010	28,793	26,096
Emergency homes	985	1,004	857
Emergency retainer	17,161	16,545	14,923
Damage and special occasions	4,426	5,753	3,849
Transportation	40,126	41,254	34,893
Special rate - foster homes	514,973	452,786	447,803
Special rate - 8th street			45,955
Non-pay shelter costs	6,385	3,924	5,553
Day Care	2,916	1,674	2,536
Miscellaneous	2,846	2,545	2,475
Respite - foster parent	42,250	47,053	36,739
Home visits	48,475	51,426	42,153
Therapy	14,600	20,726	12,696
Medical	8,420	7,026	7,321
Initial clothing	16,997	16,684	14,780
Age of majority	5,175	4,014	4,500
Children in care support	12,606	12,708	10,963
Repatriation costs	175	154	152
Exceptional circumstances	5,000	1,009	
Regular rate - other agencies	50,451	39,501	50,451
Agency allowances - other agencies	2,531	768	2,531
Special rate - other agencies	78,783	68,489	78,783
Travel out of Province	1,000		
Extra one time expense	9,750	31,370	83,553
Level V - Service	412,022	421,818	377,739
FH Renovation - exceptional circumstances		65,000	
	$ 2,409,989	2,428,747	2,248,107

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF MCVICOR STREET OPERATIONS - OPERATING FUND
March 31, 2003

	2003 Approved (Unaudited)	2003 Actual	2002 Actual
REVENUE			
Basic maintenance	$		73
Special rate			1,866
Family Visions			83,705
CFS Vacation Trust			3,300
			88,944
EXPENDITURES, per schedule			
Salaries			91,072
Building and administration costs			452
Direct costs			30
			91,554
SURPLUS (DEFICIT) ON MCVICOR STREET OPERATIONS FOR YEAR	$		(2,610)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF MCVICOR STREET EXPENDITURES - OPERATING FUND
March 31, 2003

	2003		2002
	Approved (Unaudited)	Actual	Actual
SALARIES, FEES AND RELATED EXPENSES			
Salaries	$		77,949
Employee benefits			10,055
Relief			1,340
Payroll tax			1,728
			91,072
BUILDING AND ADMINISTRATION			
Rent			300
Utilities			151
Administration			1
			452
DIRECT COSTS			
Transportation	$		30

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF J & B PROJECT OPERATIONS - OPERATING FUND
March 31, 2003

	2003 Approved (Unaudited)	2003 Actual	2002 Actual
REVENUE			
Basic maintenance	$ 15,994	15,994	15,994
Special rate	169,166	183,814	156,058
Province of Manitoba - vacation pay		72	
	185,160	199,880	172,052
EXPENDITURES, per schedule			
Salaries and benefits	155,446	159,079	144,331
Building and administration costs	11,600	10,360	9,659
Direct costs	17,114	16,925	15,699
	184,160	186,364	169,689
SURPLUS BEFORE TRANSFER TO CAPITAL FUND	1,000	13,516	2,363
Transfer to Capital Fund	1,000		1,801
SURPLUS ON J & B PROJECT OPERATIONS FOR YEAR	$	13,516	562

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF J & B PROJECT EXPENDITURES - OPERATING FUND
March 31, 2003

	2003		2002
	Approved (Unaudited)	Actual	Actual
SALARIES AND BENEFITS			
Salaries	$ 117,870	114,601	109,096
Relief	15,590	25,888	16,000
Employee benefits	19,078	15,543	16,515
Payroll tax	2,908	3,047	2,720
	155,446	159,079	144,331
BUILDING AND ADMINISTRATION COSTS			
Rent	6,345	6,334	6,074
Equipment and furniture	900		202
Repairs and maintenance	750	976	463
Utilities	2,000	1,862	1,753
Telephone	780	671	724
Building insurance	150	123	113
Administration costs	200	394	153
Miscellaneous	75		
Staff training	300		30
Advertising	100		147
	11,600	10,360	9,659
DIRECT COSTS			
Food	6,000	7,143	5,956
Household	1,000	1,013	806
Clothing	1,635	1,365	1,347
Personal allowance	1,095	936	932
Activities	1,200	1,753	1,706
Education	400	267	361
Health	584	98	147
Transportation	5,000	4,135	4,257
Gifts	200	215	187
	$ 17,114	16,925	15,699

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF RESIDENTIAL CARE OPERATIONS - OPERATING FUND
March 31, 2003

		2003		2002
		Approved (Unaudited)	Actual	Actual
REVENUE				
Province of Manitoba fees	$	539,189	543,543	465,612
Province of Manitoba grant		244,000	246,500	244,000
Program redevelopment			2,170	2,474
Special relief			28,331	7,698
Miscellaneous			1,057	25,201
Province of Manitoba - vacation pay			393	
		783,189	821,994	744,985
EXPENDITURES, per schedule				
Salaries and benefits		649,119	646,553	627,880
Building		65,619	63,457	51,793
Administration		6,575	7,768	6,993
Direct		68,769	61,838	58,672
TOTAL EXPENDITURES		790,082	779,616	745,338
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND		(6,893)	42,378	(353)
Transfer to Capital Fund		2,000	4,090	26,042
SURPLUS (DEFICIT) ON RESIDENTIAL CARE OPERATIONS FOR YEAR	$	(8,893)	38,288	(26,395)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF RESIDENTIAL CARE EXPENDITURES - OPERATING FUND
March 31, 2003

	2003		2002
	Approved (Unaudited)	Actual	Actual
SALARIES AND BENEFITS			
Salary costs	$ 498,814	487,016	477,620
Relief costs	61,205	62,409	67,256
Special relief costs		15,073	2,921
Employee benefits	75,224	67,628	66,049
Payroll levy	12,208	12,232	11,912
Workers' compensation	1,668	2,144	2,122
Vacation pay change		51	
	649,119	646,553	627,880
BUILDING			
Mortgages	21,265	21,265	20,848
Utilities	11,175	11,494	10,634
Household supplies	4,579	3,509	3,656
Repairs and maintenance	16,000	14,492	8,843
Insurance	9,500	9,328	6,396
Equipment	3,100	3,369	1,416
	65,619	63,457	51,793
ADMINISTRATION			
Office supplies	300	352	503
Advertising	300	102	
Bank charges	25	68	57
Miscellaneous	200	28	(60)
Telephone	3,350	2,448	2,996
Staff training	2,400	4,770	3,497
	$ 6,575	7,768	6,993

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF RESIDENTIAL CARE EXPENDITURES - OPERATING FUND
March 31, 2003

	2003		2002
	Approved (Unaudited)	Actual	Actual
DIRECT			
Food	$ 29,300	27,701	26,219
Clothing	9,227	6,488	7,677
Personal allowances	7,345	4,674	4,505
Education	1,336	3,874	1,247
Group activity allowance	8,993	7,199	5,349
Gifts	1,400	1,274	1,218
Medical	668	1,237	1,135
Transportation	10,500	9,391	11,322
	$ 68,769	61,838	58,672

STATEMENT OF EARLY LEARNING CANADA OPERATIONS - OPERATING FUND
March 31, 2003

		2003		2002
		Approved (Unaudited)	Actual	Actual
REVENUE				
Brandon School Division	$	18,500	20,727	9,319
EXPENDITURES				
Salaries and benefits		11,600	11,835	3,897
Child care		3,500	4,966	1,519
Food		1,000	528	297
Transportation		400	139	41
Books and supplies		500	2,959	1,518
Advertising		100		137
Administration costs		1,200	300	710
Staff training		200		1,200
Transportation				
		18,500	20,727	9,319
SURPLUS ON EARLY LEARNING CANADA OPERATIONS FOR YEAR	$			

STATEMENT OF ADOPTIVE FAMILIES PROJECT OPERATIONS - OPERATING FUND
March 31, 2003

	2003 Approved (Unaudited)	2003 Actual	2002 Actual
REVENUE			
Grant	$ 46,200	46,200	46,200
EXPENDITURES			
Salaries and benefits	43,034	42,880	39,758
Program administration costs	2,166	3,138	3,335
Travel	1,000		2,040
	46,200	46,018	45,133
SURPLUS ON ADOPTIVE FAMILIES PROJECT FOR YEAR	$	182	1,067

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF PARENTING SKILLS PROJECT OPERATIONS - OPERATING FUND
March 31, 2003

	2003		2002
	Approved (Unaudited)	Actual	Actual
REVENUE			
Province of Manitoba grant	$ 54,500	54,500	54,500
Brandon School Division	2,325		
	56,825	54,500	54,500
EXPENDITURES			
Salaries and benefits	54,825	50,908	51,151
Program supplies	2,000	3,121	2,132
	56,825	54,029	53,283
SURPLUS ON PARENTING SKILLS PROJECT FOR YEAR	$	471	1,217

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF PARENT CHILD CENTRES OPERATIONS - OPERATING FUND
March 31, 2003

	2003		2002
	Approved (Unaudited)	Actual	Actual
REVENUE			
Healthy Child Manitoba Grant	$ 75,000	75,000	75,000
Province of Manitoba - vacation		3,512	
	75,000	78,512	75,000
EXPENDITURES			
Salaries	65,836	64,752	31,501
Employee benefits	8,879	8,466	2,330
Child care costs		2,985	
Program supplies	4,000	4,560	879
Administration costs	1,200	1,200	1,000
Food costs	1,000	1,057	
Transportation	500	521	
Staff training	2,000	641	234
	83,415	84,182	35,944
SURPLUS (DEFICIT) ON PARENT CHILD CENTRES FOR YEAR	$ (8,415)	(5,670)	39,056

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF PRE-SCHOOL ENRICHMENT OPERATIONS - OPERATING FUND
March 31, 2003

	2003		2002
	Approved (Unaudited)	Actual	Actual
REVENUE			
Department of Family Services Transportation	$ 5,000	4,017	4,453
Grant maintenance	15,810	15,610	15,182
Fees - province	71,500	71,344	70,581
Fees - parent	12,020	17,208	15,682
Private funds	88,661	66,969	86,617
Disabilities Grant	31,910	28,472	24,728
Bad Debt Recovery		133	82
Other		288	90
Province of Manitoba - vacation pay		1,575	
	224,901	205,616	217,415
EXPENDITURES, per schedule			
Staff salaries and benefits	174,682	156,994	169,190
Program	7,589	6,847	7,094
Office and building	17,705	18,214	18,005
Administration	24,425	22,888	23,647
	224,401	204,943	217,936
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND	500	673	(521)
Transfer to Capital Fund	500	673	
SURPLUS (DEFICIT) ON PRE-SCHOOL ENRICHMENT OPERATIONS FOR YEAR	$		(521)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF PRE-SCHOOL ENRICHMENT EXPENDITURES - OPERATING FUND
March 31, 2003

	2003		2002
	Approved (Unaudited)	Actual	Actual
STAFF SALARIES AND BENEFITS			
Salaries	$ 150,505	133,756	146,854
Benefits	24,177	23,238	22,336
	174,682	156,994	169,190
PROGRAM			
Food	4,864	4,498	4,439
Kitchen and cleaning supplies	400	433	346
Activity supplies	500	554	497
Equipment and furniture	750	442	827
Equipment repairs	75		57
Special projects	1,000	920	928
	7,589	6,847	7,094
OFFICE AND BUILDING			
Rent	10,290	10,291	10,089
Repairs and maintenance	1,515	1,668	2,180
Contract cleaners	1,500	1,417	1,428
Leasehold improvements	300	483	471
Equipment	100	102	90
Utilities	4,000	4,253	3,747
	$ 17,705	18,214	18,005

SCHEDULE OF PRE-SCHOOL ENRICHMENT EXPENDITURES - OPERATING FUND
March 31, 2003

		2003		2002
		Approved (Unaudited)	Actual	Actual
ADMINISTRATION				
Postage	$	250	151	208
Advertising and office supplies		150	363	325
Telephone		1,300	1,323	1,301
Insurance		2,664	2,508	1,776
Travel		13,000	10,840	12,526
Staff training		600	598	515
Audit fee		1,461	1,490	1,414
Bad debt - preschool		5,000	5,615	5,582
	$	24,425	22,888	23,647

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF VICTORIA DAY CARE OPERATIONS - OPERATING FUND
March 31, 2003

	2003 Approved (Unaudited)	2003 Actual	2002 Actual
REVENUE			
Department of Family Services grant	$ 86,630	86,658	78,877
Handicapped staffing grant	46,039	57,385	33,136
Fees - province	119,415	99,737	116,135
Bad debt recovery		62	100
Parents fees	74,150	91,669	71,400
Challenge grant	1,100	1,925	943
Miscellaneous	500	3,218	658
Province of Manitoba - vacation pay		3,277	
	327,834	343,931	301,249
EXPENDITURES, per schedule			
Staff salaries and benefits	267,546	290,420	247,547
Program	16,637	17,713	14,879
Office and building	22,560	20,108	21,212
Administration	12,136	13,209	12,707
	318,879	341,450	296,345
SURPLUS BEFORE TRANSFER TO CAPITAL FUND	8,955	2,481	4,904
Transfer to Capital Fund	1,000		
SURPLUS ON VICTORIA DAY CARE OPERATIONS FOR YEAR	$ 7,955	2,481	4,904

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF VICTORIA DAY CARE EXPENDITURES - OPERATING FUND
March 31, 2003

	2003 Approved (Unaudited)	2003 Actual	2002 Actual
STAFF SALARIES AND BENEFITS			
Salaries	$ 234,160	254,750	215,713
Benefits	33,386	35,670	31,834
	267,546	290,420	247,547
PROGRAM			
Food	11,737	12,082	10,862
Kitchen and cleaning supplies	1,700	2,551	1,791
Activity supplies	1,000	847	679
Equipment and furniture	1,500	1,721	856
Equipment repairs	200	108	150
Special projects	500	404	541
	16,637	17,713	14,879
OFFICE AND BUILDING			
Rent	11,800	11,799	11,568
Repairs and maintenance	3,000	1,666	2,943
Contract cleaners	2,400	2,179	2,256
Equipment and furniture		32	67
Leasehold improvements	500	178	
Utilities	4,860	4,254	4,378
	$ 22,560	20,108	21,212

SCHEDULE OF VICTORIA DAY CARE EXPENDITURES - OPERATING FUND
March 31, 2003

	2003 Approved (Unaudited)	2003 Actual	2002 Actual
ADMINISTRATION			
Telephone	$ 1,075	702	718
Postage	400	750	412
Insurance	2,550	2,508	1,776
Association fees	175	175	175
Advertising	300	247	484
Travel	500	736	515
Staff training	675	1,126	552
Audit fee	1,461	1,490	1,414
Library		54	14
Bad debts expense	5,000	5,421	6,647
	$ 12,136	13,209	12,707

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF EARLY START PROJECT OPERATIONS - OPERATING FUND
March 31, 2003

		2003		2002
		Approved (Unaudited)	Actual	Actual
REVENUE				
Early start revenue	$	78,000	78,000	78,000
Miscellaneous revenue			233	
Province of Manitoba - vacation pay			900	
		78,000	79,133	78,000
EXPENDITURES, per schedule				
Program		74,403	68,740	60,187
Office and building		13,512	12,733	11,412
TOTAL EXPENDITURES		87,915	81,473	71,599
SURPLUS (DEFICIT) ON EARLY START PROJECT OPERATIONS FOR YEAR	$	(9,915)	(2,340)	6,401

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF EARLY START PROJECT EXPENDITURES - OPERATING FUND
March 31, 2003

	2003		2002
	Approved (Unaudited)	Actual	Actual
PROGRAM			
Home visitor salaries and benefits	$ 60,334	52,465	50,275
Other salaries and benefits	7,169	11,864	4,342
Vacation pay change		117	
Travel	2,400	2,089	1,536
Training	1,000	995	627
Supplies	1,500	531	1,342
Toys	500	275	1,662
Workshops	1,400	246	366
Miscellaneous	100	158	37
	74,403	68,740	60,187
FACILITY SERVICE COSTS			
Travel	100		
Secretarial	1,000	1,000	1,000
Office	1,500	1,304	832
Telephone	1,800	1,804	1,649
Audit and accounting fees	306	306	300
Administration and supervision	7,806	7,806	7,631
Equipment repairs and maintenance	1,000	513	
	$ 13,512	12,733	11,412

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF DOWNTOWN DAY CARE OPERATIONS - OPERATING FUND
March 31, 2003

	2003		2002
	Approved (Unaudited)	Actual	Actual
REVENUE	$		
EXPENDITURES			
Salaries		5,179	
Benefits		834	
Equipment and furniture		30	
Repairs and maintenance		52	
Leasehold improvements		1,928	
Utilities		208	
Advertising and office supplies		899	
Insurance		331	
Travel		8	
Staff training		7	
		9,476	
DEFICIT ON DOWNTOWN DAY CARE OPERATIONS FOR YEAR	$	(9,476)	

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OPERATIONS - COMBINED - TRUST FUND
March 31, 2003

		2003	2002
REVENUE			
Staff gift fund	$	5,653	3,285
Sun fund		53,845	62,155
Facility fund		79,522	84,173
Holding account		27,589	21,128
Other trust accounts		4,960	7,930
Endowment fund		4,060	94,573
Other trust programs		148,062	15,519
		323,691	288,763
EXPENDITURES			
Staff gift fund		5,290	2,679
Sun fund		59,074	59,601
Facility fund		16,243	19,519
Holding account		21,128	23,110
Other trust accounts		8,098	8,568
Endowment fund		150,550	131,301
Other trust programs		139,011	28,186
		399,394	272,964
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND		(75,703)	15,799
Transfer to Capital Fund		2,122	21,025
DEFICIT FOR YEAR	$	(77,825)	(5,226)

STATEMENT OF STAFF GIFT FUND OPERATIONS - TRUST FUND
March 31, 2003

		2003	2002
REVENUE			
Staff contributions	$	5,653	3,285
EXPENDITURES			
Gift purchases		5,290	2,679
SURPLUS FOR YEAR	$	363	606

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SUN FUND OPERATIONS - TRUST FUND
March 31, 2003

		2003	2002
REVENUE			
Charitable donations	$	945	990
Culture and Heritage		5,000	5,000
Grant revenue - provincial			166
Grant revenue - federal		1,925	1,964
CFS Foundation grant		45,285	53,345
Interest		690	690
		53,845	62,155
EXPENDITURES			
Camp fees		46,447	47,272
Office		2,075	2,315
Other		39	668
Salaries		7,389	7,063
Transportation		3,124	2,283
		59,074	59,601
SURPLUS (DEFICIT) FOR YEAR	$	(5,229)	2,554

STATEMENT OF FACILITY FUND OPERATIONS - TRUST FUND
March 31, 2003

		2003	2002
REVENUE			
Interest	$	2,749	4,003
Rent		76,773	80,170
		79,522	84,173
EXPENDITURES			
Property taxes		16,243	18,937
Repairs and maintenance			582
		16,243	19,519
SURPLUS BEFORE TRANSFER TO CAPITAL FUND		63,279	64,654
Transfer to Capital Fund		2,122	21,025
SURPLUS ON FACILITY FUND OPERATIONS FOR YEAR	$	61,157	43,629

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF HOLDING ACCOUNT OPERATIONS - TRUST FUND
March 31, 2003

		2003	2002
REVENUE			
Community campaign	$	26,174	20,498
Memberships		1,415	630
		27,589	21,128
EXPENDITURES			
Community campaign expenses		21,128	23,110
SURPLUS (DEFICIT) FOR YEAR	$	6,461	(1,982)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OTHER TRUST ACCOUNT OPERATIONS - TRUST FUND
March 31, 2003

		2003	2002
REVENUE	$	4,960	7,930
EXPENDITURES		8,098	8,568
DEFICIT FOR YEAR	$	(3,138)	(638)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF ENDOWMENT FUND OPERATIONS - TRUST FUND
March 31, 2003

		2003	2002
REVENUE			
Interest earned	$	2,060	9,592
Capital campaign		2,000	84,981
		4,060	94,573
EXPENDITURES			
CFS supplements		66,969	131,301
Transfer to new building		83,581	
		150,550	131,301
DEFICIT ON ENDOWMENT FUND OPERATIONS FOR YEAR	$	(146,490)	(36,728)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OTHER PROGRAMS - TRUST FUND
March 31, 2003

	2003	2002
REVENUE		
Training Programs - fees	$ 19,590	1,140
Grant - downtown daycare		4,186
Downtown daycare	127,210	9,800
Interest income	1,262	393
	148,062	15,519
EXPENDITURES		
Training program - program costs	7,870	
Special grant - CWLC Abuse Prevention expenses	3,764	
Downtown daycare grant expenses	127,377	4,186
Innovatice Care expense		24,000
	139,011	28,186
SURPLUS (DEFICIT) ON OTHER PROGRAMS - TRUST FUND OPERATIONS FOR YEAR	$ 9,051	(12,667)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2003

1. ENTITY DEFINITION

The organization is a registered charity providing family service agency in Western Manitoba. Any surplus it may generate is non-taxable.

2. FUND ACCOUNTING

Child & Family Services of Western Manitoba follows the restricted method of accounting for contributions.

The Operating Fund accounts for the program delivery and administration activities

The Capital Fund records the assets, liabilities, revenues and expenses related to Child & Family Services of Western Manitoba's capital assets.

The Trust Fund reports resources held in trust for purposes outside of normal program delivery and administration purposes. Investment income and money recieved by the Trust Fund is reported as revenue in the Trust Fund and expenses relating directly to the trust funds are recorded as expenses in the Trust Fund.

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2003

3. CAPITAL ASSETS

		2003		2002
	Cost	Accumulated Amortization	Net Value	Net Value
800 MacTavish Avenue				
Building and land	$ 812,774	(91,705)	721,069	739,014
Office equipment and furniture	262,334	(176,543)	85,791	98,908
Other Centres				
Building and land	1,064,119	(178,719)	885,400	909,503
Equipment	74,750	(26,950)	47,800	51,537
2227 Brandon Avenue				
Building and land	215,209	(119,662)	95,547	98,145
Equipment	31,092	(21,339)	9,753	10,634
Cypress House				
Building and land	124,965	(54,379)	70,586	68,891
Equipment	33,035	(24,023)	9,012	10,664
7th Street House				
Building and land	76,370	(38,797)	37,573	39,084
Equipment	19,741	(17,044)	2,697	3,684
Automobiles	433,355	(316,057)	117,298	120,618
J & B Project				
Equipment	2,869	(881)	1,988	2,402
	$ 3,150,613	(1,066,099)	2,084,514	2,153,084

4. LONG TERM DEBT

		2003	2002
Royal Trust mortgage, repayable $5,878 monthly including interest at 7.85%, secured by land and building, matures 2008	$	732,729	748,161
Current portion		13,495	14,470
	$	719,234	733,691

Principal payments due in the next five years are as follows:

2004	- $	13,495
2005	-	14,593
2006	-	15,781
2007	-	17,066
2008	-	18,455

5. COMMITMENTS

The organization leases office equipment under operating leases. Minimum lease payments due in the next five years are as follows:

2004	- $	6,498
2005	-	3,249
2006	-	
2007	-	
2008	-	

6. ADJUSTMENT FOR ACCRUED VACATION PAY

The financial statements have been adjusted to account for vacation pay owing to employees as at March 31, 2003. As the liability will be covered by funding from the Province of Manitoba, an account receivable has been set up for an amount equal to that of the liability to account for funding to be received as the liability is realized. The prior year's figures have been adjusted as follows:

Accounts receivable have increased by $373,029,
Accounts payable have increased by $373,029.

7. ECONOMIC DEPENDENCE

Child & Family Services of Western Manitoba is economically dependent upon the Provincial Government of Manitoba for funding.

8. STATEMENT OF CASH FLOWS

A Statement of Cash Flows has not been provided as it would not provide any further information to the users of the financial statements.

HMA
HAUGEN MORRISH ANGERS
CHARTERED ACCOUNTANTS

- P.O. Box 1200, 334 Ross Avenue
The Pas, Manitoba R9A 1L2
- Tel: (204) 623-5437
Fax: (204) 623-6390
1-800-663-2679
- E-mail: info@hmaca.com

AUDITORS' REPORT

To The Board of Directors
Communities Economic Development Fund

We have audited the balance sheet of Communities Economic Development Fund as at March 31, 2003 and the statement of revenue and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2003 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Haugen Morrish Angers
CHARTERED ACCOUNTANTS

The Pas, Manitoba
May 30, 2003

COMMUNITIES ECONOMIC DEVELOPMENT FUND

STATEMENT 1

BALANCE SHEET

	MARCH 31	
	2003	2002
ASSETS		
Cash	$ 130,412	$ 193,571
Trust deposits	1,264,377	297,528
Due from Province of Manitoba *(Note 3)*	1,994,500	2,178,588
Accounts receivable	45,016	65,633
Property held for resale	13,022	109,920
Prepaid expenses	19,702	16,530
	3,467,029	2,861,770
Loans receivable *(Note 4)*	20,007,920	18,224,470
Capital assets *(Note 7)*	43,346	41,910
	$ 23,518,295	$ 21,128,150
LIABILITIES		
Accounts payable and accrued liabilities	$ 293,592	$ 540,987
Interest payable to the Province of Manitoba	663,484	723,717
	957,076	1,264,704
Accrued pension liability *(Note 2)*	1,391,914	1,336,441
Advances by the Province of Manitoba *(Note 8)*	21,169,305	18,527,005
	$ 23,518,295	$ 21,128,150

Approved on behalf of the Board

Linda Ballantyne

Director

COMMUNITIES ECONOMIC DEVELOPMENT FUND

STATEMENT 2

STATEMENT OF REVENUE AND EXPENDITURES

	YEAR ENDED MARCH 31	
	2003	2002
REVENUE		
Loan interest		
TEAM	$ 3,822	$ 2,437
Business Program	1,004,880	1,015,347
Fisheries Program	811,879	869,357
Investment income	39,261	74,534
	1,859,842	1,961,675
COST OF FUNDS		
Interest paid to the Province of Manitoba		
Business Program	791,937	845,706
Life Insurance	66,806	64,897
Trust line of credit	11,822	
Fisheries Program	594,534	653,878
	1,465,099	1,564,481
GROSS MARGIN	394,743	397,194
OPERATING EXPENSES *(Schedule 1)*	1,569,886	1,528,909
	(1,175,143)	(1,131,715)
OTHER INCOME - ADMINISTRATION FEES	99,651	87,650
EXCESS OF EXPENDITURES OVER REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	(1,075,492)	(1,044,065)
Provision for doubtful accounts - regular operations	417,594	443,080
EXCESS OF EXPENDITURES OVER REVENUE BEFORE SUBSIDY FROM PROVINCE OF MANITOBA	(1,493,086)	(1,487,145)
SUBSIDY DUE FROM PROVINCE OF MANITOBA	1,493,086	1,487,145
	$ 0	$ [illegible]

COMMUNITIES ECONOMIC DEVELOPMENT FUND

STATEMENT 3

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2003	2002
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Cash received from Province of Manitoba and other sources	$ 1,702,016	$ 1,374,232
Expenditures to suppliers and employees	(1,810,423)	(1,147,252)
Interest paid	(1,458,526)	(1,381,512)
	(1,566,933)	(1,154,532)
INVESTING ACTIVITIES		
Purchase of capital assets	(18,797)	(21,898)
Loans issued net of principal payments	(1,742,864)	401,418
Sale of equipment - net	96,898	(58,669)
	(1,664,763)	320,851
FINANCING ACTIVITIES		
Subsidy - Province of Manitoba	1,493,086	1,487,145
Advances by the Province of Manitoba	2,642,300	(494,891)
	4,135,386	992,254
NET INCREASE IN CASH AND TRUST DEPOSITS	903,690	158,573
CASH AND TRUST DEPOSITS, *beginning of year*	491,099	332,526
CASH AND TRUST DEPOSITS, *end of year*	$ 1,394,789	$ 491,099

CASH AND TRUST DEPOSITS REPRESENTED BY		
Cash	$ 130,412	$ 193,571
Trust deposits	1,264,377	297,528
	$ 1,394,789	$ 491,099

1. NATURE OF THE ORGANIZATION

The Communities Economic Development Fund (the Fund) was established in 1971 (Ch. C155) as a Crown corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. With an act revision passed in July, 1991 the object of the Fund was set to encourage economic development in Northern Manitoba, to act as a lending authority in the fishing industry in the Province of Manitoba and to provide financial assistance to aboriginal people in the Province outside the City of Winnipeg. The Business and Fisheries Loan Programs are administered under the C.E.D.F. Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Business Loan Program

The allowance for doubtful accounts on loans and interest receivable is calculated on a specific item basis in addition to a 5% non-specific provision on the remaining loans not specifically provided for.

Fisheries Loan Program

The allowance for doubtful accounts on fisheries loans and interest receivable is calculated based on the present value of future cash flows for those loans which, if they maintain their past payment history, will fail to retire their debt completely within the agreed term. The net present value (NPV) formula used for calculating the allowance for doubtful accounts is recognized by the Canadian Institute of Chartered Accountants; however, it does not account for closure of a fishery or regulated reduction of production. In the event of closure of a fishery or regulated reduction of production, the NPV formula may not adequately provide for doubtful accounts.

PENSION EXPENSE AND OBLIGATIONS

The employees of the Fund are not members of the Civil Service of the Province but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. Payments to the pensioners are charged against the liability account. The current pension expense is determined on the basis of an actuarial valuation. The most recent actuarial valuation as at December 31, 2001 indicated the accrued liability is in line with the obligation forecast in the report. In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees. Beginning in the 1989 fiscal year the Fund has recorded a provision to fund current service obligations. The total liability as at March 31, 2003 amounts to $1,391,914 (2002 - $1,336,441).

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization of capital assets has been calculated on a straight line basis using the following rates:

Building	10%
Office furniture and equipment	10 - 20%
Computer equipment	10 -25%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

FAIR VALUE

Due to the short term nature of all financial instruments other than long term debt and long term investments, the carrying values as presented in the financial statements are reasonable estimates of fair value. Management has estimated fair value by reference to established financial markets. As is true for all estimates, actual fair value could differ from this estimate, and if so any difference would be accounted for in the period in which it becomes known. For long term investments and long term debt it is not practicable within constraints of timeliness or cost to determine the fair value with sufficient reliability because the instruments are not traded in an organized financial market.

3. DUE FROM PROVINCE OF MANITOBA

Annually, the Province of Manitoba provides a grant to cover the Fund's anticipated subsidy requirements for the year. The amount of $1,994,500 (2002 - $2,178,588) represents additional funds needed to cover the actual requirements for the year including coverage for the pension liability. The balance is comprised of the following:

	2003	2002
Department of Northern Affairs		
Subsidy (refundable)	$ 504,348	$ 449,086
- Orders in Council pending	32,838	327,661
Pension (unfunded)	1,381,173	1,325,828
Pension (funded)	10,741	10,613
Severance accrual (unfunded)	65,400	65,400
	$ 1,994,500	$ 2,178,588

4. LOANS RECEIVABLE

	2003	2002
Business Loan Program		
Principal	$12,645,055	$ 11,211,498
Accrued interest	623,053	529,698
	13,268,108	11,741,196
Allowance for doubtful accounts *(Note 5)*	(2,219,584)	(2,147,048)
	11,048,524	9,594,148

4. LOANS RECEIVABLE *continued*

	2003	2002
Fisheries Loan Program		
Principal	$11,095,524	$ 10,798,131
Accrued interest	587,310	576,623
	11,682,834	11,374,754
Allowance for doubtful accounts *(Note 5)*	(2,779,786)	(2,787,136)
	8,903,048	8,587,618
TEAM Loan Program		
Principal	52,996	41,082
Accrued interest	3,352	1,622
	56,348	42,704
	$20,007,920	$ 18,224,470

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The change in the allowance is accounted for as follows:

Business Loan Program	2003			2002
	Specific	Non-Specific	Total	Total
Balance, *beginning of year*	$ 1,240,393	$ 906,655	2,147,048	$ 1,993,420
Provision for the year	52,578	365,000	417,578	807,199
	1,292,971	1,271,655	2,564,626	2,800,619
Accounts written off	(345,042)		(345,042)	(653,571)
Transfers	761,398	(761,398)	-	-
Balance, *end of year*	$ 1,709,327	$ 510,257	$ 2,219,584	$ 2,147,048

Fisheries Loan Program	2003	2002
Balance, *beginning of year*	$ 2,787,136	$ 3,256,358
Provision *(recovery)* for the year	4,221	(365,000)
	2,791,357	2,891,358
Accounts written off	(11,571)	(104,222)
Balance, *end of year*	$ 2,779,786	$ 2,787,136

6. LOAN COMMITMENTS AND CONTINGENT LIABILITIES

	2003	2002
Loan guarantees	$ 50,000	$ 50,000
Undisbursed balance of approved loans	1,430,940	1,148,263
	$ 1,480,940	$ 1,198,263

7. CAPITAL ASSETS

			Net Book Value	
	Cost	Accumulated Amortization	2003	2002
Office furniture and equipment	$ 233,068	$ 189,722	$ 43,346	$ 41,910

8. ADVANCES BY THE PROVINCE OF MANITOBA

	2003	2002
Business Loan Program *(Note 9)*	$11,123,379	$10,690,017
Fisheries Loan Program *(Note 10)*	10,045,926	7,836,988
	$21,169,305	$18,527,005

9. BUSINESS LOAN PROGRAM

The Communities Economic Development Fund is included under The Provision of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance pursuant to "The Loan Act, 2002". The advances are repayable at any time in whole or in part at the option of the Lieutenant Governor in Council.. Prior to the 1992/93 fiscal year, advances by the Province were interest free.

Advances from the Business Loan Program at March 31, 2003 are accounted for as follows:

Advances, *beginning of year*	$13,060,497
2002/03 loan advances	5,000,000
2002/03 loan advance repayments	(4,232,940)
Transfer loan balances to fish	83,880
Loan write offs	(564,369)
	13,347,068
Unfunded allowance, *beginning of year*	2,370,480
2002/03 provision for doubtful accounts	417,578
Write offs (Order in Council pending)	(564,369)
	2,223,689
Net Balance, *end of year (Note 8)*	$11,123,379

9. BUSINESS LOAN PROGRAM *continued*

The Fund has specific loan exposure in the forestry sector in Northern Manitoba. Loans totalling $4,754,421 were outstanding to timber harvesting and related operations as at March 31, 2003.

The Fund's exposure in the forestry sector may be impacted by the outcome of the current Canadian softwood lumber dispute with the United States. In addition, currency fluctuations have added further uncertainty. The specific impact of market disruption due to currency issues and the countervailing tariff or other trade action, though likely negative, is unknown at this time. As such, no provision for additional loan losses for forestry sector loans have been provided for in these financial statements.

10. FISHERIES LOAN PROGRAM

The Communities Economic Development Fund is appointed as the Lending Agency for the Fisheries Loan Program (under Part III of the Fisheries Act). The portfolio had previously been administered by Manitoba Agricultural Credit Corporation (M.A.C.C.) and funded by the Department of Natural Resources. Effective April 1, 1992 this portfolio was transferred to the Fund in its entirety.

Advances to the Fisheries Loan Program at March 31, 2003 are accounted for as follows:

Advances, *beginning of year*	$ 10,728,346
2002/03 loan advances	5,090,323
2002/03 loan advance repayments	(2,797,506)
Transfer loan balances from business loans	(83,880)
Loan write offs	(82,846)
	12,854,437
Unfunded allowance, *beginning of year*	2,891,358
2002/03 Loan write offs	(82,846)
	2,808,512
Net Balance, *end of year (Note 8)*	$ 10,045,925

Interest costs are charged on total advances of $ 10,728,346 which is the total portfolio including the allowance for loss portion of $ 2,779,786.

Life insurance on clients - The Fisheries Loan Program carries Life and Accidental Dismemberment on clients' loans. The cost of this insurance is recovered in the margin charged on interest rates.

The Fund utilizes a net present value formula to value its Fish Loan Portfolio and estimate the provision for loan losses. The formula takes into account the payments received in the previous 12 month period as a basis for calculating future collections. Recent fishing seasons have been dramatically improved over previous seasons. As a result, fewer fish loans indicate arrears potential and the formula utilized to value the fish loan portfolio generates a lower estimate for loan loss provision.

The provision for fish loan losses in the Funds books of account exceeds the value derived by the net present value formula as at March 31, 2003 by $406,828 (March 31, 2002 - $764,859).

10. FISHERIES LOAN PROGRAM *continued*

	2003	2002
Loan Loss Provision		
• per accounts	$ 2,779,786	$ 2,787,136
• per net present value calculation	2,372,957	2,022,277
Difference	$ 406,829	$ 764,859

The commercial fishing industry is cyclical in nature and as a result, no adjustment has been made to the loan loss provision as at March 31, 2003

11. LOAN ACT AUTHORITY

Amounts authorized for advances under "The Loan Act, 2001" are as follows:

Per Schedule A of "The Loan Act, 2002"	$ 3,700,000
Per Schedule B of "The Loan Act, 2002"	10,624,146
- Direct Loans	14,324,146
Advances made during the 2002/03 fiscal year	8,495,474
Unused Loan Act capital available	$ 5,828,672

Guarantees of $970,000 were also authorized under "The Loan Act, 2002". Loan guarantees totalling $50,000 have been issued by the Communities Economic Development Fund as at March 31, 2003.

12. COMMITMENTS

The Fund has leases for office premises as follows:

Swan River	$ 675 per month
Thompson	$7,235 per month

The lease for Swan River expired on July 31, 2002 and has been continued on month to month basis. The lease for Thompson expires July 31, 2005.

13. ADVANCES

The advances bear interest at the Royal Bank of Canada prime interest rate, plus 1%, payable monthly and are secured by a general security agreement.

14. ECONOMIC DEPENDENCE

The ongoing operation of the Communities Economic Development Fund depends on obtaining adequate financing and funding. The Communities Economic Development Fund is dependent upon the Province of Manitoba for funding of operations.

COMMUNITIES ECONOMIC DEVELOPMENT FUND

SCHEDULE 1

SCHEDULE OF OPERATING EXPENSES

	YEAR ENDED MARCH 31	
	2003	2002
Amortization of capital assets	$ 17,361	$ 17,695
Collection costs	80,609	81,920
Communications	45,918	54,898
Credit reports	1,972	1,579
Directors' fees and expenses	60,158	64,679
Government vehicles	35,860	35,804
Insurance	1,834	736
Legal costs	15,531	15,739
Office supplies and expenses	20,059	17,705
Pension expense	151,236	144,658
Professional fees	22,533	21,203
Rent and utilities	79,468	77,203
Salaries and benefits	855,697	816,183
Sundry	28,738	23,235
TEAM expenses	104,776	102,817
Travel	48,136	52,855
	$ 1,569,886	$ 1,528,909

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT
on the Schedule of Loan Guarantee Transactions

To the Legislative Assembly of Manitoba
To the Members of The Co-operative Loans and Loans Guarantee Board

We have audited the schedule of loan guarantee transactions of The Co-operative Loans and Loans Guarantee Board for the year ended March 31, 2003. This financial information is the responsibility of the Board's management. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, this schedule presents fairly, in all material respects, the transactions of the Board for the year ended March 31, 2003 in accordance with the accounting policies stated in note 2 to the schedule.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 12, 2003

The Co-operative Loans and Loans Guarantee Board

Schedule of Loan Guarantee Transactions
for the year ended March 31, 2003

	Amounts Outstanding at March 31, 2002 $	Additions $	Cancellations $	Amounts Outstanding at March 31, 2003 $
Loan Guarantees: (Note 3)				
Gladstone, Austin Natural Gas Co-op Ltd.	600,000	—	100,000	500,000
United Messenger Co-op Ltd.	20,000	—	20,000	—
S M W Workers Co-op Ltd.	96,000	110,000	96,000	110,000
Physique Plus Fitness Co-op Inc.	6,000	—	2,000	4,000
Steinbach Fitness Co-op Inc.	—	10,500	—	10,500
Russell Fitness Centre Co-op Inc.	—	20,000	—	20,000
GD-02 Workers' Cooperative Ltd.	—	99,000	—	99,000
	722,000	239,500	218,000	743,500

Approved by the Board:

Chairperson

Notes to the Schedule
for the year ended March 31, 2003

1. Nature of Operations

The Co-operative Associations Loans and Loans Guarantee Act established the Board with the primary objective of ensuring that cooperative organizations have access to basic financial services. The Board is empowered to make loans or guarantee loans to cooperative organizations in Manitoba. Cooperative Development Services administers the activities of the Board. Cooperative Development Services has been located in Intergovernmental Affairs since September 25, 2002, and prior to that was situated in Industry, Trade and Mines. This change was a result of a reorganization of Ministerial responsibilities. The Department pays all administrative and general operating costs of the Board. The Board may charge a fee for its loans and loan guarantees. The Department records all revenue received.

2. Accounting Policies

a) Loan guarantees are stated at the amount guaranteed.

b) The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities at no charge to the Board. The cost of these services cannot be reasonably estimated and is therefore not included in the financial statements.

3. Loan Guarantees

a) Gladstone, Austin Natural Gas Co-op Ltd.

On April 10, 1995, the Board approved a ten-year loan guarantee for Gladstone, Austin Natural Gas Co-op Ltd. to a maximum of $500,000 and a line of credit guarantee of $50,000. Beginning in year six, the loan guarantee will be reduced by $100,000 per year until year ten when the guarantee terminates. The line of credit guarantee will terminate in two years, if the Co-op is in a positive cash position. If the Co-op is not in a positive cash position, the guarantee will remain in effect for an additional two years. The guarantee will not be in effect for more than four years. The loan guarantees were accepted by the Austin Credit Union Ltd and the Gladstone, Austin Natural Gas Co-op Ltd. on May 16, 1996.

On March 15, 1999, the Board approved an amendment to the line of credit guarantee from $50,000 to $100,000 effective March 31, 1999 until December 31, 2004. The amendment is conditional on the Austin Credit Union maintaining the authorized line of credit at a minimum of $300,000 during the period the loan guarantee is in place.

On September 27, 2000, the Board approved deferring the $100,000 reduction in the loan guarantee until May 16, 2002, at which time the loan guarantee reduced by $100,000.

Notes to the Schedule
for the year ended March 31, 2003

3. Loan Guarantees (Continued)

b) United Messenger Co-op Ltd.

On March 25, 1997, the Board approved an offer of a five-year loan guarantee for United Messenger Co-op Ltd. of $100,000 and a one-year line of credit guarantee of $50,000. The $100,000 loan guarantee will be reduced by $20,000 per year, beginning May 12, 1998. The Assiniboine Credit Union and the United Messenger Co-op Ltd. accepted the loan guarantees, on May 7, 1997.

On January 14, 1998, the Board reinstated and increased the one-year line of credit guarantee from $50,000 to $70,000 as of May 7, 1998. The $20,000 increase offsets the $20,000 reduction from the five-year term loan guarantee.

On March 15, 1999, The Board reinstated the one-year line of credit guarantee at $70,000 as of May 7, 1999. The one-year line of credit subsequently expired on May 7, 2000.

As of March 31, 2002, a loan guarantee of $20,000 was in effect. The guarantee expired on May 7, 2002 ending the guarantee.

c) S M W Workers Co-op Ltd.

On March 15, 1999, the Board approved an offer of a ten-year loan guarantee for S M W Workers Co-op Ltd. of $120,000. The loan guarantee shall reduce by $12,000 per year, beginning on July 31, 2000. The Assiniboine Credit Union Limited and the S M W Workers Co-op Ltd. accepted the loan guarantee, in July 1999.

On June 25, 2002, the Board approved a new $110,000 loan guarantee to replace the existing $96,000 loan guarantee. The Minister of Industry, Trade and Mines approved the new loan guarantee on June 27, 2002. The Assiniboine Credit Union Limited and the S M W Workers Co-op Ltd. accepted the loan guarantee, on January 7, 2003. The loan guarantee shall reduce by $11,000 per year beginning February 4, 2004.

d) Physique Plus Fitness Co-op Inc.

On July 25, 2000, the Board approved a loan guarantee for Physique Plus Fitness Co-op Inc. in the amount of $8,000. La Caisse Populaire Provencher Ltée accepted the loan guarantee and signed an agreement with Physical Plus Fitness Co-op Inc. on February 19, 2001. The guarantee shall reduce by $2,000 on each anniversary of the advance date, March 12, 2001.

3. Loan Guarantees (Continued)

e) Steinbach Fitness Co-op Inc.
On March 20, 2002, the Board approved a $10,500 loan guarantee. The loan guarantee will be in effect for a period of five years, representing the term of the loan. La Caisse Populaire LaVerendryé Ltée accepted the loan guarantee and signed an agreement with Steinbach Fitness Co-op Inc on October 16, 2002. The loan guarantee shall reduce by $2,100 per year, beginning on November 7, 2003.

f) Russell Fitness Centre Co-op Inc.
On October 17, 2002, the Board approved a $20,000 loan guarantee. The Vanguard Credit Union Limited accepted the loan guarantee and signed an agreement with Russell Fitness Centre Co-op Inc. on February 11, 2003. The loan guarantee shall reduce by $4,000 per year, beginning on August 8, 2003.

g) GD-02 Workers Cooperative Ltd.
On December 11, 2002, the Board approved a $99,000 loan guarantee. The Assiniboine Credit Union Limited accepted the loan guarantee and signed an agreement with GD-02 Workers Cooperative Ltd. on March 27, 2003. The loan guarantee shall reduce by $19,800 per year, beginning on April 15, 2004.

Notes to the Schedule
for the year ended March 31, 2003

4. Loan Act Authority

The Government of the Province of Manitoba has authorized the following amounts to be expended for funding loans and loan guarantees:

Authority	Outstanding Expenditure Authority
The Loan Act, 2002 (Schedule B)	
Guarantees	$3,500,000
Less: Amounts committed by the Board	743,500
	$2,756,500

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Members of The Cooperative Promotion Board

We have audited the balance sheet of The Cooperative Promotion Board as at March 31, 2003, the General Account statement of revenue and expenditure and retained earnings and the Commercial Fishing Account statement of revenue, expenditure and retained earnings for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with accounting policies stated in note 2 to the financial statements.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 13, 2003

The Cooperative Promotion Board

Balance Sheet
as at March 31, 2003

	2003	2002
ASSETS		
General Account		
Current Assets		
Cash	$ 9,967	$ 21,311
Term Deposits (Note 3)	365,256	356,867
Accrued Interest Receivable	9,439	9,910
Total Current Assets	384,662	388,088
Investments (Note 5)	1,867	1,437
Total General Account	386,529	389,525
Commercial Fishing Account		
Current Assets		
Cash (Note 4)	61,842	59,726
Accrued Interest Receivable	441	680
Total Current Assets	62,283	60,406
Investments (Note 6)	210	140
Total Commercial Fishing Account	62,493	60,546
Total Assets	$ 449,022	$ 450,071
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable – General Account	$ 1,664	$ 1,740
Equity		
Contributed Capital - General Account (Note 1)	128,800	128,800
Retained Earnings – General Account	256,065	258,985
Retained Earnings - Commercial Fishing Account (Note 7)	62,493	60,546
	447,358	448,331
Total Liabilities and Equity	$ 449,022	$ 450,071

APPROVED BY THE BOARD:

Chairperson

The Cooperative Promotion Board

General Account
Statement of Revenue and Expenditure and Retained Earnings
for the year ended March 31, 2003

	2003	2002
Revenue		
Interest	$ 12,336	$ 15,312
Dividend	750	743
Total Revenue	13,086	16,055
Expenditure		
Grants, (Schedule 1)	12,674	13,260
General and administrative		
Annual report	529	325
Audit fee	1,100	1,100
Board members' remuneration	280	880
Board members' meals and travel	232	740
Membership Fee	652	633
Office	539	624
	3,332	4,302
Total Expenditure	16,006	17,562
Excess of Revenue over (under) Expenditure	(2,920)	(1,507)
Retained Earnings, beginning of year	258,985	260,492
Retained Earnings, end of year	$ 256,065	$ 258,985

Commercial Fishing Account
Statement of Revenue and Expenditure and Retained Earnings
for the year ended March 31, 2003

	2003	2002
Revenue		
Interest	$ 1,877	$ 2,576
Dividend	70	—
Total Revenue	1,947	2,576
Expenditure		
Total Expenditure	—	—
Excess of Revenue over Expenditure	1,947	2,576
Retained Earnings, beginning of year	60,546	57,970
Retained Earnings, end of year	$ 62,493	$ 60,546

Notes to the Financial Statements
for the year ended March 31, 2003

1. Nature and Objectives of the Board

The Cooperative Promotion Board operates under the terms of The Cooperative Promotion Trust Act, which came into force on December 20, 1988. The Board is a continuation of the Board established under The Wheat Board Money Trust Act. The Wheat Board Money Trust Act was repealed when The Cooperative Promotion Trust Act came into force. Cooperative Development Services administers the activities of the Board. Cooperative Development Services has been located in Intergovernmental Affairs since September 25, 2002 and prior to that was located in Industry, Trade and Mines. The change was a result of a reorganization of Ministerial responsibilities.

General Account

The General Account funds controlled by the Board consist of surplus funds of the original Canadian Wheat Board apportioned to Manitoba by the Government of Canada (recorded as Contributed Capital), assets vested in the Board when the Cooperative Promotion Trust Act came into force and assets acquired by the Board.

The objectives of the Board with regard to the General Account are to assist in the development of cooperative organizations, to promote the general welfare of cooperative organizations and rural residents in Manitoba and to make recommendations to the Minister responsible with respect to cooperative organizations and related legislation.

Commercial Fishing Account

The Commercial Fishing Account consists of funds donated by Northern Cooperative Services Ltd. As a condition of the donation, these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba. As of March 31, 2003, no activity has taken place.

2. Accounting Policies

a) These financial statements are prepared in accordance with the accrual basis of accounting except for grants, which are recorded as expenditure when paid.
b) Discounts on investments are amortized on a straight-line basis over the life of the investments.
c) The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities at no charge to the Board. The cost of these services cannot be reasonably estimated and is therefore not included in the financial statements.

3. Term Deposits, General Account

	2003	2002
Me-Dian Credit Union Of Manitoba Limited		
2.75% due on May 29, 2003	$137,069	$ —
3.70% due on May 29, 2002	—	131,563
La Caisse Populaire de Saint Boniface Limitée		
2.60% due on February 20, 2004	59,678	—
2.85% due on December 23, 2003	35,509	—
1.40% due on February 20, 2003	—	58,853
1.35% due on December 23, 2002	—	33,451
Province of Manitoba		
3.05% due on June 23, 2003	32,000	—
2.20% due on June 25, 2002	—	32,000
Cambrian Credit Union - GIC 6.0% due on April 27, 2003	101,000	101,000
	$ 365,256	$ 356,867

4. Cash, Commercial Fishing Account

	2003	2002
Buffalo Credit Union		
High yield savings account, interest bearing at a fixed rate of 2.89% until April 15, 2003 changing to 3.10% effective Aprll 16, 2003 (2002, 2.75%) until October 31, 2003 (2002, October 31, 2002) with interest paid semi-annually on June 30 and December 31.	$ 61,842	$ 59,726

5. Investments, General Account

	2003	2002
Me-Dian Credit Union of Manitoba Ltd. - Share at Cost	$ 5	$ 5
Me-Dian Credit Union of Manitoba Ltd. - Surplus Shares	866	743
La Caisse Populaire de Saint-Boniface Limitée - Surplus Shares	578	361
Cambrian Credit Union - Surplus Shares	418	328
	$ 1,867	$ 1,437

6. Investments, Commercial Fishing Account

	2003	2002
Buffalo Credit Union - Share at Cost	$ 210	$ 140

7. Retained Earnings, Commercial Fishing Account

During 1993 and 1994, Northern Cooperative Services Ltd. donated $41,724 to the Board subject to the condition that these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba. These funds have earned interest and the balance available at March 31, 2003 is $ 62,493 (2002 - $60,546).

8. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements, as no additional information would be provided by its inclusion.

9. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's financial statement presentation.

The Cooperative Promotion Board SCHEDULE 1

Schedule Of Grants
for the year ended March 31, 2003

	2003	2002
AG Ventures Producers Co-op Inc.	$ 889	$ —
Birdtail Fitness Club Co-op Inc.	—	510
Canadian Organic Commodity Marketing Co-op Ltd.	—	1,000
Co-operative Housing Federation of Canada (Manitoba Office)	500	500
Crafter's Co-op of Manitoba Ltd.	—	4,000
Green Tree Cattle Feeders Co-op Inc.	—	2,000
Intrinsix Canada Inc.	4,535	—
Manitoba Cooperative Council Inc.	4,750	4,750
Park City Meadows Housing Co-op Ltd.	—	500
Steinbach Family Fitness Cooperative Inc.	2,000	—
	$ 12,674	$ 13,260

THE COUNCIL ON POST-SECONDARY EDUCATION

Responsibility for Financial Statements

The management of the Council on Post-Secondary Education is responsible for the financial reporting process that produces the financial statements and accompanying notes. The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

The Council is responsible for overseeing management's performance of its financial reporting responsibilities. The statements are examined by the Auditor General of Manitoba, whose opinion is included herein.

In order to fulfil this responsibility, management maintains systems of internal control over the financial reporting process designed to provide assurance that relevant and reliable financial information is produced.

Margaret McDonald, CGA
Chief Financial Officer

Louise Gordon
A/Chief Executive Officer

July 4, 2003
Winnipeg, Manitoba

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To The Council on Post-Secondary Education

We have audited the statement of financial position of The Council on Post-Secondary Education as at March 31, 2003 and the statements of revenues and expenditures and changes in net assets for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Council on Post-Secondary Education as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 4, 2003

THE COUNCIL ON POST-SECONDARY EDUCATION

Statement of Financial Position
For the year ended March 31, 2003

	2003	2002
ASSETS		
Current Assets:		
Cash on hand and in bank	$ 517,285	$ 399,953
Accounts Receivable	11,846	19,879
	529,131	419,832
Long-term receivable- Province of Manitoba (Note 4)	1,046,339	942,644
Capital Assets-net (Notes 3, 9)	53,502	65,889
Total Assets	$ 1,628,972	$ 1,428,365
LIABILITIES		
Current Liabilities:		
Accounts payable & accrued liabilities	$ 84,231	$ 89,181
Grants payable	6,518	2,973
	90,749	92,154
Long-term liabilities:		
Provision for employee severance benefits	89,430	101,847
Provision for employer's share of employees' pension benefits (Note 5)	942,198	838,503
	1,031,628	940,350
Total liabilities	1,122,377	1,032,504
Net Assets - Post-Secondary Grants Fund	506,595	395,861
	$ 1,628,972	$ 1,428,365

THE COUNCIL ON POST- SECONDARY EDUCATION

Statement of Revenues and Expenditures
For the year ended March 31, 2003

	2003			2002
	Operating	College Expansion Initiative	Total	Total
Revenues:				
Province of Manitoba Grants:				
Department of Advanced Education	$358,201,995	$15,193,178	$373,395,173	$359,466,220
Interest Income	13,535	-	13,535	21,605
Total revenues	358,215,530	15,193,178	373,408,708	359,487,825
Expenditures:				
Operating grants	318,174,360	-	318,174,360	311,056,800
Support programs	1,805,660	-	1,805,660	2,083,153
College Expansion Initiative grants	-	14,975,400	14,975,400	10,348,000
Post Secondary Strategic grants	2,080,464	-	2,080,464	1,606,600
Equipment & Renovations grants	6,245,600	-	6,245,600	6,045,600
Major Capital grants	8,975,000	-	8,975,000	9,625,000
Access grants	5,496,900	-	5,496,900	5,290,500
Tuition Rebate grants	11,529,783	-	11,529,783	11,028,314
Inter-Provincial Training Agreement	2,748,171	-	2,748,171	1,228,965
Administrative and other, Schedule 1	1,041,495	225,141	1,266,636	1,151,786
Total Expenditures	358,097,433	15,200,541	373,297,974	359,464,718
Revenues over (under) expenditures	$ 118,097	$ (7,363)	$ 110,734	$ 3,107

Statement of Changes in Net Assets - Post-Secondary Grants Fund

For the year ended March 31, 2003

	2003			2002
	Invested in Capital Assets	Unrestricted Net Assets	Total	Total
Balance, Beginning of Year as previously stated	$ -	$329,972	$329,972	$292,469
Restatement of Prior Year (Note 3)	65,889	-	65,889	80,285
Balance, Beginning of Year as Restated	65,889	329,972	395,861	372,754
Excess (deficiency) of Revenues over Expenditures	(13,133)	123,867	110,734	23,107
Investment in Capital Assets	746	(746)	-	-
Balance, End of Year	$53,502	$453,093	$506,595	$395,861

Schedule 1

THE COUNCIL ON POST-SECONDARY EDUCATION

Schedule of Administrative and Other Expenditures
For the year ended March 31, 2003

	2003			2002
	Operating	College Expansion Initiative	Total	Total
Accessibility Forum	$ 2,969	$ -	$ 2,969	$ -
Amortization	10,740	2,393	13,133	14,396
Automobile and travelling	31,375	5,567	36,942	38,684
Computer operating and lease costs	54,000	10,905	64,905	68,981
Consultation-Winnipeg	-	2,250	2,250	1,276
COPSE review and expenditures	30,281	-	30,281	-
Course and membership fees	3,382	2,357	5,739	5,867
Furniture and equipment	5,077	3,199	8,276	7,407
Meetings-Council	4,831	-	4,831	8,000
Miscellaneous Grants	42,135	-	42,135	34,320
Office rental	36,045	11,400	47,445	46,826
Postage and telephone	12,500	2,910	15,410	15,496
Printing and stationery supplies	8,606	2,834	11,440	20,791
Professional fees	17,325	-	17,325	22,884
Remuneration for Council members	25,236	-	25,236	21,604
Repairs & maintenance	152	-	152	510
Salaries and employee benefits	707,597	180,720	888,317	825,322
Subscriptions and books	3,091	-	3,091	3,765
Summit-North	-	-	-	3,752
Sundry	46,153	606	46,759	11,905
Total administrative & other expenditures	$ 1,041,495	$ 225,141	$ 1,266,636	$ 1,151,786

1. Nature of Operations

The Council on Post-Secondary Education was established by an Act of the Legislature passed in 1997 and is composed of 11 members appointed by the Lieutenant-Governor-in-Council.

The Universities Grants Commission Act was repealed effective April 28, 1997 by the Council on Post Secondary Education Act.

The Council on Post-Secondary Education Act provided that the University Grants Fund be continued as the Post-Secondary Grants Fund. All assets and liabilities of the Universities Grants Commission were transferred to the Council on Post-Secondary Education.

Primarily, the Council on Post-Secondary Education provides funding to Manitoba's universities and community colleges for approved programs and capital projects from funds received from the Province of Manitoba.

The College Expansion Initiative provides funding to increase enrollment in diploma and certificate programs at Manitoba's community colleges. For financial reporting purposes, Revenues and Expenditures for the Initiative have been segregated.

2. Significant Accounting Policies

A. Basis of Accounting

The Council on Post-Secondary Education's annual financial statements are prepared in accordance with Canadian generally accepted accounting principles.

B. Grant Expenditures

Operating, equipment and renovations, tuition rebate, Access, and strategic initiatives grants reflect expenditures to Manitoba universities and community colleges for annual operations. These grants are funded on the basis of scheduled payments to meet the operating requirements of the universities and community colleges. Operating grants are also provided to private religious colleges and to the Winnipeg Technical College.

Major capital grants based on shared cost agreements are funded on a reimbursement basis. The university must first incur eligible costs as defined in the terms of the agreement, which the Council then reimburses.

Major capital grants to universities that are discretionary grants are funded when the university has met the eligibility criteria and fulfilled the conditions set out by the Council.

C. Revenue Recognition

Revenue is recognized as funds are drawn from Province of Manitoba appropriations.

D. Vacation and Severance Benefits

Employees of the Council are entitled to vacation and severance benefits in accordance with the terms of the collective agreement. The liability for vacation and severance benefits is recorded based on the Council's best estimates.

E. Employer's Share of Employees' Pension Benefits

Employees of the Council are pensionable under the Civil Service Superannuation Act. The Council accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial report.

F. Capital Assets

Capital Assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful life, in accordance with the Province of Manitoba guidelines, as follows:

Furniture	10 years
Leasehold Improvements	10 years
Computer Software	4 years
Machinery and Equipment	10 years
Computer Equipment	4 years

G. Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

H. Financial Instruments

The Council on Post-Secondary Education's financial instruments consist of cash, accounts receivable, accounts payable, accrued liabilities and grants payable. Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these instruments. The fair value of these financial instruments approximates their carrying values.

3. Change in Accounting Policy

The Council on Post-Secondary Education changed its accounting policy to reflect the capitalization of tangible capital assets. This change in policy has been accounted for retroactively to April 1, 2002. This change in accounting policy has had the effect of decreasing revenues over expenditures reported at March 31, 2003 by $12,387 (2002 – $14,396) and increasing the capital asset balance and net assets – Post-Secondary Grants Fund balance at March 31, 2003 by $53,502 (2002 - $65,889).

4. Long-term Receivable – Province of Manitoba

A portion of the long-term receivable from the Province of Manitoba is for severance benefits accumulated by COPSE employees to March 31, 1998. The opening severance pay liability balance as at April 1, 1998 of $104,141 was completely offset by a long-term receivable from the Province of Manitoba. There are no terms of repayment for this receivable, and the amount will remain fixed at $104,141.

The remaining portion of the long-term receivable from the Province of Manitoba represents the employer's share of employees' pension benefits as at March 31, 2003 of $942,198 (2002 - $838,503). The Province of Manitoba will pay the employer's share of employees' pension benefits as they become due.

5. Provision for Employer's Share of Employees' Pension Benefits

	2003	2002
Balance at beginning of year	$ 838,503	$ 749,528
Experience gain	25,072	-
Benefits accrued	56,652	64,701
Interest accrued on benefits	64,108	58,102
Benefits paid	(42,137)	(33,828)
Balance at end of year	$ 942,198	$ 838,503

An actuarial valuation of the pension obligations as at December 31, 2001 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 7.25% (1998 – 7%), 2.75% inflation (1998 – 3%), salary rate increases of 4.5% (1998 – 4.5%) and post retirement indexing at 2/3 of the inflation rate. The entry age normal actuarial cost method was used and the liabilities have been extrapolated to March 31, 2003 using a formula provided by the actuary.

6. Economic Dependence

The Council is economically dependent on the Province of Manitoba for its funding.

7. Cash Flows Statement

The financial statements of the Council do not include a Statement of Cash Flows. In the opinion of management, a Statement of Cash Flows would not provide significant additional disclosure.

8. Related party transactions

In addition to those related transactions disclosed elsewhere in these financial statements, the Council on Post-Secondary Education is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Council on Post-Secondary Education enters into transactions with these entities in the normal course of business.

9. Capital Assets, Net of Accumulated Amortization

	2003			2002
	Cost	Acc. Amort	Net Book Value	Net Book Value
Furniture	$ 63,388	$ 30,878	$ 32,510	$ 38,848
Leasehold Improvements	17,393	5,834	11,559	13,299
Computer Software	3,000	2,625	375	1,125
Machinery and Equipment	11,095	4,556	6,539	6,865
Computer Equipment	19,763	17,244	2,519	5,752
	$ 114,639	$ 61,137	$ 53,502	$ 65,889

10. Commitments

The Council on Post-Secondary Education has approved funding as listed below:

	Approved	Expended	Outstanding Commitments
Capital:			
University of Manitoba			
Capital Campaign	40,000,000	16,000,000	24,000,000
Chiller System – Fort Garry Campus	19,000,000	11,346,500	7,653,500
Chiller System – Bannatyne Campus	955,000	829,300	125,700
Total	$ 59,955,000	$ 28,175,800	$ 31,779,200

Future funding commitments were also approved for the following new programs:

College Expansion Initiative	$ 5,058,300
System Restructuring Envelope	551,000
Strategic Program Envelope	1,489,200
Total	$ 7,098,500

11. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Auditors' Report

To the Members of
Crown Corporations Council

We have audited the balance sheet of **Crown Corporations Council** as at December 31, 2002 and the statement of income and reserve reflecting net investment in capital assets for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
March 18, 2003

Chartered Accountants

BALANCE SHEET

	December 31	
	2002	2001
ASSETS	(thousands of dollars)	
Current:		
Cash	$ 346	$ 369
Accounts receivable	7	7
	353	376
Capital assets (note 4)	7	9
	$ 360	$ 385
LIABILITIES AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 60	$ 93
Levies received in advance	190	103
Due to Manitoba Crown corporations (note 3)	50	147
	300	343
Retirement allowances and other benefits payable	53	33
	353	376
Reserve reflecting net investment in capital assets	7	9
	$ 360	$ 385

Approved by the Board

Chairman

Director

(see accompanying notes)

STATEMENT OF INCOME AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS

	Year Ended December 31 2002	 2001
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	$ 645	$ 828
Recoveries from corporations through direct charges	-	12
Interest	4	16
	649	856
Expenses		
Salaries and benefits	462	450
Board remuneration and expenses	78	77
Rent	65	62
Professional fees	10	210
Office supplies and printing	9	15
Automobile expense	7	7
Professional development	7	-
Equipment rental and maintenance	4	7
Telephone and courier	4	6
Depreciation	2	17
Travel	2	2
Insurance and miscellaneous	1	1
Governance training costs	-	12
	651	866
Excess of expenses over income	$ (2)	$ (10)
Reserve reflecting net investment in capital assets, beginning of year	9	19
Reserve reflecting net investment in capital assets, end of year	$ 7	$ 9

(see accompanying notes)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

1. Nature of organization

The Crown Corporations Council (the "Council") is a body corporate established on June 5, 1989 under the Crown Corporations Public Review and Accountability Act.

The mandate of the Council is to facilitate clear mandates, development of performance measures and consistent practices and to review corporate plans of Crown corporations under its purview.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those principles considered particularly significant for the Council.

a) Recoveries of expenses from Crown corporations

Operating expenses are recovered from the Crown corporations through the assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred. In addition, certain direct costs incurred on behalf of particular corporations are recovered directly from the respective Crown corporations.

b) Reserve reflecting the net investment in capital assets

The purchase of capital assets is funded through operating expense levies assessed to Crown corporations. The reserve reflects levies assessed to the Crown corporations with respect to the Council's capital assets.

c) Capital Assets

Capital assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

d) Retirement allowances

Retirement allowances are provided to certain qualifying employees. The costs of benefits earned by employees are charged to expenses as services are rendered. The cost reflects management's best estimates of the length of service, salary increases and ages at which employees will retire. In addition, adjustments arising from plan amendment, changes in assumptions, experience gains and losses, and the actuarial present value of the accrued entitlement as at January 1, 2000 are being amortized to expenses on a straight line basis over the expected average remaining service life of the employee group. The unamortized balance of the January 1, 2000 actuarial present value of the accrued entitlement is $32,600 at December 31, 2002 (2001 - $36,200).

3. Due to Manitoba Crown corporations

These amounts represent a retroactive adjustment to levies based on Council's actual expenses.

4. Capital assets

These are comprised entirely of office furniture and equipment and computer equipment.

	December 31	
	2002	2001
	(in thousands of dollars)	
Cost		
Office furniture and equipment	$58	$58
Computer equipment	56	56
	$114	$114
Accumulated depreciation		
Office furniture and equipment	52	50
Computer equipment	55	55
	107	105
Net book value	$ 7	$ 9

5. Pension costs and obligations

Employees of the Council are provided pension benefits by the Civil Service Superannuation Fund ("the Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Council is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund. In addition, one employee is entitled to enhanced pension benefits. The cost of the benefits earned by the employee is charged to expenses as services are rendered. The cost reflects management's best estimate of salary increases and the age at which the employee will retire.

6. Lease commitments

The Council is committed under a premises lease expiring on April 30, 2005 to annual basic rental payments of approximately $32,400 and annual common area and operating costs of approximately $29,100.

7. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Members of the Economic Innovation and Technology Council

We have audited the balance sheet of the Economic Innovation and Technology Council as at March 31, 2003 and the statements of revenue, expenditure and funds retained, the statement of Economic Innovation and Technology Fund revenue and grant expenditure and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 4, 2003

Economic Innovation and Technology Council
Balance Sheet

Exhibit A

March 31	2003	2002
Assets		
Current		
Petty cash	$ 400	$ 400
Funds on deposit		
Minister of Finance		
Cash	2,494	110,594
Term deposits (and accrued interest)		69,291
Other	6,213	
Accounts receivable		
Province of Manitoba	100,989	95,507
Other	35,880	19,005
Note receivable (Note 3)	125,000	103,066
Prepaid expenses		5,000
	270,976	402,863
Note receivable (Note 3)		125,000
Investment in Manitoba Technology Centre Ltd. (Note 4)	1	1
	$ 270,977	$ 527,864
Liabilities		
Current		
Accounts payable and accrued liabilities		
Province of Manitoba	$ 65,660	$ 6,000
Other	22,208	100,030
Deferred revenue	23,950	
	111,818	106,030
Equity		
Funds retained (Exhibit B)	159,159	421,834
	$ 270,977	$ 527,864

See accompanying notes to the financial statements.

Economic Innovation and Technology Council

Exhibit B

Statements of Revenue, Expenditure and Funds Retained

Year Ended March 31	2003	2002
Revenue		
Government of Canada, program grant	$ 62,474	$ 69,429
Sundry	3,739	21,569
	66,213	90,998
Expenditure		
Operating expenses (Schedule 1)	328,888	742,700
Deficiency of revenue over expenditure	$ 262,675	$ 651,702
Funds retained, beginning of year	$ 421,834	$ 1,073,536
Deficiency of revenue over expenditure	262,675	651,702
Funds retained, end of year (Exhibit A)	$ 159,159	$ 421,834

See accompanying notes to the financial statements.

Economic Innovation and Technology Council

Exhibit C

Statement of Economic Innovation and Technology Fund Revenue and Grant Expenditure

Year Ended March 31	2003	2002
Revenue - Grant from Province of Manitoba (Note 5)	$ 232,820	$ 199,161
Grant expenditure	232,820	199,161
Excess of grant revenue over expenditure / funds retained	$ -	$ -

See accompanying notes to the financial statements.

Economic Innovation and Technology Council

Exhibit D

Statement of Cash Flows

Year Ended March 31	2003	2002
Increase (decrease) in cash and funds on deposit		
Operating		
Deficiency of Council operations revenue over expenditure (Exhibit B)	$ (262,675)	$ (651,702)
Items not involving cash		
Amortization		24,198
Net changes in non-cash working capital balances		
Accounts receivable	(22,358)	(102,720)
Note receivable	103,067	103,067
Prepaid expenses	5,000	3,001
Accounts payable and accrued liabilities	(18,162)	(39,216)
Deferred revenue	23,950	
Decrease in cash from operations	(171,178)	(663,372)
Investments		
Acquisition of capital assets, net		(1,555)
Net decrease in cash	(171,178)	(664,927)
Cash and funds on deposit, beginning of year	180,285	845,212
Cash and funds on deposit, end of year	$ 9,107	$ 180,285
Represented by:		
Cash	$ 400	$ 400
Funds on deposit		
Minister of Finance		
Cash	2,494	110,594
Term deposits		69,291
Other	6,213	
	$ 9,107	$ 180,285

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Notes to the Financial Statements
March 31, 2003

1. Establishment of the Council and nature of operations

The Economic Innovation and Technology Council (EITC) was established by the Economic Innovation and Technology Council Act on September 1, 1992. Pursuant to the Act, the purpose of EITC is to foster economic development and to support economic restructuring and commercialization in technology so as to enable Manitoba to compete effectively in a global market economy. EITC's mission statement is "to promote and enhance a climate of innovation, entrepreneurship, and technological development that spurs responsible economic development for the benefit of Manitobans".

EITC is economically dependent upon the Province of Manitoba.

2. Significant accounting policies

a) Basis of reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

b) Cash and funds on deposit

Cash and funds on deposit include cash on hand, balances with the Minister of Finance, short-term deposits with original maturities of three months or less and balances with banks.

c) Use of estimates

In preparing the Council's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Note receivable

The note receivable that arose from the redemption of EITC's common shares in Manitoba Technology Centre Ltd. (MTC) for $434,200 is non-interest bearing, and is payable in instalments as follows:

June 1, 2003	$ 125,000 (Note 8)

4. Investment in Manitoba Technology Centre Ltd.

Effective June 1, 1996, EITC discontinued its role in the operations of the Environmental Sciences Centre (ESC). Prior to June 1, 1996, the financial activities of ESC were reflected in the financial statements of EITC. On June 1, 1996, EITC entered into a public/private partnership with Enviro-Test Laboratories, a division of ETL Chemspec Analytical Limited (ETL). A new corporation, Manitoba Technology Centre Ltd. (MTC), was incorporated and certain assets of EITC, namely the assets of ESC, were transferred to MTC pursuant to an Asset Purchase Agreement in exchange for 25 Class A Common Shares with a paid-up capital value of $25, 1,500,000 Class A Special Preferred Shares with a redemption and paid-up capital value of $875,000, and 1 Class B Special Preferred Share with a paid-up capital value of $1. Subsequent to the Asset Purchase Agreement, MTC issued 75 Class A Common Shares with a paid-up capital value of $75 to ETL. A Unanimous Shareholders Agreement between EITC and ETL sets out the rights and obligations in respect of the shares of MTC. The regular operations and management of MTC are the responsibility of ETL.

Class A Special Preferred Shares

Each Class A Special Preferred Share was non-voting, redeemable and retractable on a semi-annual basis, with one share cancelled for each dollar contributed or invested by ETL in equipment, facilities, management and marketing. The redemption amount of the shares was equal to the agreed value of ESC's contributed assets of $875,000 divided by 1,500,000 or $.5833 per share. As part of the Unanimous Shareholders Agreement, ETL is committed to contributing $1,500,000 over the first three years of the agreement.

All Class A Special Preferred Shares were redeemed prior to May 31, 2002.

Class B Special Preferred Share

The Class B Special Preferred Share is non-voting, retractable and redeemable at $1.00 per share.

Effective May 31, 2002, EITC has the option of retaining ownership of the Class B Special Preferred Share as long as it may wish and be entitled for so long as it holds this share to nominate one director to the Board of Directors provided that:

1. EITC no longer holds any common shares;
2. MTC continues to occupy premises owned by the Province of Manitoba; and
3. MTC has material contracts with the Province of Manitoba.

Common Shares

On May 31, 1999, MTC redeemed EITC's 25 common shares with a paid up capital value of $25 for $434,200.

The redemption price will be paid in instalments as disclosed in Note 3. Non-interest bearing promissory notes have been provided to EITC, and a gain of $434,175 resulting from this redemption has been recorded.

5. Related party transactions

EITC is related in terms of common ownership to all departments, agencies and Crown corporations created by the Province of Manitoba. EITC enters into transactions with these entities in the normal course of business.

6. Pension plan

In accordance with the provisions of The Civil Service Superannuation Act, employees of EITC are required to contribute to the Civil Service Superannuation Fund at prescribed rates for defined benefits. EITC is required to make contributions equal to the amounts contributed to the Fund by employees. Under this Act, EITC has no further pension liability.

7. Financial instruments

The Council's financial instruments consist of cash, funds on deposit, accounts receivable, notes receivable, prepaid expenses, Investment in Manitoba Technology Centre, accounts payable and accrued liabilities and deferred revenue. It is management's opinion that the Council is not exposed to significant credit or interest rate risk. The fair value of these financial instruments approximates their carrying values.

8. Subsequent event

Subsequent to year end, EITC received the fourth and final instalment of $125,000 from MTC.

Economic Innovation and Technology Council

Schedule 1

Schedule of Expenses

Year Ended March 31

	2003	2002
Advertising and promotion	$ 56,370	$ 46,331
Amortization		24,198
Canadian Technology Network	62,474	69,429
Council activities	62,500	162,350
Equipment rental and maintenance	230	
Fees, memberships and conferences	8,107	10,000
Postage, delivery and telephone	150	
Printing and stationery	515	83
Professional fees	5,958	7,435
Purchased services	104,671	396,912
Rental and property tax	1,761	2,940
Salaries and benefits		(33)
Travel	26,152	23,055
	$ 328,888	$ 742,700

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To The Legislative Assembly and
The Directors of The Horse Racing Commission

We have audited the balance sheet of The Horse Racing Commission as at March 31, 2003 and the statements of operating revenue and expenditure and fund balances and general fund operating expenditure for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
April 24, 2003

THE HORSE RACING COMMISSION

Exhibit A

Balance Sheet
as at March 31, 2003
(with 2002 figures for comparison)

		Restricted Funds				Total	
Assets	General Fund	Pari-mutuel Levy Fund	H.B.P.A. Fund	C.T.H.S. Fund	General Support Fund	Year ended March 31 2003	2002
Current assets:							
Cash on hand and in bank	$ 273,609	$ -	$ 77,733	$ 260,196	$ -	$ 611,538	$ 859,076
Due from General Fund	-	-	-	-	28,150	28,150	2,397
Pari-mutuel levy receivable	-	4,983	-	-	-	4,983	65,915
Pari-mutuel levy distribution receivable	511	-	3,514	958	-	4,983	65,915
Receivable - other	-	-	-	-	-	-	100
	274,120	4,983	81,247	261,154	28,150	649,654	993,403
Long-term receivable							
Province of Manitoba (Note 3)	174,473	-	-	-	-	174,473	173,123
	$ 448,593	$ 4,983	$ 81,247	$ 261,154	$ 28,150	$ 824,127	$ 1,166,526
Liabilities							
Current liabilities:							
Accounts payable and accrued liabilities	$ 34,477	$ -	$ 81,247	$ 261,154	$ 28,150	$ 405,028	$ 725,883
Deferred revenue	2,194	-	-	-	-	2,194	3,415
Due to C.T.H.S. Fund	-	958	-	-	-	958	12,713
Due to General Fund	-	511	-	-	-	511	6,748
Due to General Support Fund	28,150	-	-	-	-	28,150	2,397
Due to H.B.P.A. Fund	-	3,514	-	-	-	3,514	46,454
	64,821	4,983	81,247	261,154	28,150	440,355	797,610
Long-term liability:							
Provision for employee pension benefits (Note 3)	174,473	-	-	-	-	174,473	173,123
	239,294	4,983	81,247	261,154	28,150	614,828	970,733
Unrestricted fund balances end of year, Exhibit B	209,299	-	-	-	-	209,299	195,793
	$ 448,593	$ 4,983	$ 81,247	$ 261,154	$ 28,150	$ 824,127	$ 1,166,526

APPROVED BY THE COMMISSION

Chairman

Comptroller

See accompanying notes to the financial statements.

THE HORSE RACING COMMISSION

Exhibit B

Statement of Operating Revenue and Expenditure and Fund Balances
for the year ended March 31, 2003
(with 2002 figures for comparison)

		Restricted Funds				Total	
	General Fund	Pari-mutuel Levy Fund	H.B.P.A. Fund	C.T.H.S. Fund	General Support Fund	Year ended March 31 2003	2002
Revenue:							
Fees, licenses and fines (Note 4)	$ 100,554	$ -	$ -	$ -	$ -	$ 100,554	$ 101,492
Grant from the Government of the Province of Manitoba	40,000	-	-	-	257,800	297,800	491,100
Transfer from the General Fund	-	-	-	-	18,189	18,189	12,478
Interest	3,851	-	2,426	3,701	-	9,978	18,647
Pari-mutuel levy	-	3,425,444	-	-	-	3,425,444	3,421,685
Pari-mutuel levy fund distribution	356,404	-	2,425,530	643,510	-	3,425,444	3,421,685
Sundry	112	-	-	-	-	112	708
Employee future benefits - Province of Manitoba (Note 3)	1,350	-	-	-	-	1,350	(4,992)
	502,271	3,425,444	2,427,956	647,211	275,989	7,278,871	7,462,803
Expenditure:							
General Fund expenditures, Exhibit C	488,765	-	-	-	-	488,765	495,909
Overnight purse support thoroughbred	-	-	2,427,956	-	-	2,427,956	2,429,183
Owners/breeders incentive thoroughbred	-	-	-	647,211	-	647,211	646,990
Pari-mutuel levy fund distribution	-	3,425,444	-	-	-	3,425,444	3,421,685
Quarter Horse support	-	-	-	-	17,633	17,633	22,200
Standardbred rural support	-	-	-	-	258,356	258,356	481,378
	488,765	3,425,444	2,427,956	647,211	275,989	7,265,365	7,497,345
Excess (deficiency) of revenues over expenses	13,506	-	-	-	-	13,506	(34,542)
Fund balances, beginning of year	195,793	-	-	-	-	195,793	230,335
Fund balances, end of year	$ 209,299	$ -	$ -	$ -	$ -	$ 209,299	$ 195,793

See accompanying notes to the financial statements.

THE HORSE RACING COMMISSION

Exhibit C

Statement of General Fund Operating Expenditure for the year ended March 31, 2003

(with 2002 figures for comparison)

	2003	2002
Expenditure:		
Advertising and promotion	$ 374	$ 688
Commissioners' per diem and honoraria	25,803	19,231
Drug, alcohol and security	20,588	8,376
Employee benefits	24,202	33,469
Equipment and office furniture	3,503	3,587
Equipment rentals	4,640	8,697
Memberships and dues	6,016	4,717
Office	7,670	8,744
Pension cost	7,447	(1,218)
Professional fees	81,333	87,434
Recruiting costs	152	-
Repairs and maintenance	14,626	6,403
Research grant	-	(5,000)
Salaries		
Administration	51,644	55,821
Security	32,919	25,253
Stewards and judges	116,242	147,037
Veterinarian services	45,532	44,790
Sundry	804	922
Support grant	18,189	12,478
Telephone	7,057	7,130
Travel	20,024	27,350
	$ 488,765	$ 495,909

See accompanying notes to the financial statements.

THE HORSE RACING COMMISSION

Notes to the Financial Statements
for the year ended March 31, 2003

1. Nature of operations

The Horse Racing Commission (Commission) was established under The Horse Racing Commission Act to govern, direct, control and regulate horse racing and the operations of horse race tracks in Manitoba.

The operating expenditures of the Commission in excess of revenue derived from its regulatory activities are funded through an appropriation of the Government of the Province of Manitoba. Administrative grant monies drawn down in excess of actual expenditures are retained by the Commission. However, such retained funds in excess of actual expenditures reduce subsequent administrative grants.

Revenues and expenditures related to program delivery and administrative activities of the Commission are reported in the General Fund.

Effective April 1, 1997, Pari-mutuel Levy and Consequential Amendments Act (the "Act") was enacted. The Act provides for the establishment of a Pari-mutuel Levy Fund for the promotion of horse racing in Manitoba. The fund is collected by the Commission and distributed in accordance with a Plan For Distribution, as required by the Act.

Horsemen's Benevolent Protection Association (H.B.P.A.) Fund is to be used for overnight purses at Assiniboia Downs. Funding for the H.B.P.A. Fund is provided through the Pari-mutuel Levy and Consequential Amendments Act based on the Plan For Distribution approved by the minister.

Canadian Thoroughbred Horsemen Society (C.T.H.S.) Fund is to be used for breeder's and owner's incentives at Assiniboia Downs. Funding for the C.T.H.S. Fund is provided through the Pari-mutuel Levy and Consequential Amendments Act based on the Plan For Distribution approved by the minister.

General Support Fund is used for funding of the rural circuit as well as Quarter Horse racing. Funding for the General Support Fund is provided through a grant from the Government of the Province of Manitoba, and a transfer from the General Fund.

THE HORSE RACING COMMISSION

Notes to the Financial Statements
for the year ended March 31, 2003

2. Significant accounting policies

The Commission follows Canadian generally accepted accounting principles except for the costs of building renovations and purchases of equipment and office furniture, which are charged directly to operations. Accordingly, deprecation is not provided for in the accounts.

A) Fund accounting

The Commission follows the restricted fund method of accounting for contributions.

B) Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Funding from the Province of Manitoba includes the Commission's share of provisions recorded for unfunded pension liabilities.

C) Pension costs

These consist of the employer's share of pension benefits paid to retired employees, as well as the increase in the employee pension benefits liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years determined by formula provided by the actuary. The most recent valuation was completed as at December 31, 2001. Experience gains or losses are recognized in the year the actuarial valuation is completed.

D) Use of estimates

In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

E) Financial instruments

The Commission's financial instruments consist of cash, accounts receivable and accounts payable. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

3. Provision for employee pension benefits

The Commission follows the accrual method of accounting for its employee pension benefits liability.

The Province of Manitoba has accepted responsibility for the unfunded portion of the pension liability. Accordingly the provision of employee pension benefits is offset by a receivable from the Province of Manitoba. There are no specific terms of repayment for this receivable.

During the current year, the Commission changed the method of calculating the pension benefits liability from a going concern basis to an accounting basis. The change in method calculates pension benefits earned to date, it excludes net future service obligations. Also during the year, it was noted that the calculation of employee future benefits in prior years was not reduced by the actual pension payments made in the year. The effect of the change in accounting method and the correction of the error reduced the pension benefit liability and the offsetting receivable from the Province of Manitoba for March 31, 2002 by $87,884 (2001 - $55,677). The pension cost and related revenue from the Province of Manitoba for 2002 was reduced by $32,207.

An actuarial valuation of the employee pension benefit liability as at December 31, 2001 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The experience gain from the valuation of $16,430 reduced the employee benefit obligation and related receivable from the Province of Manitoba for the year ended March 31, 2003. The key actuarial assumptions were a rate of return of 7.25% (1998 - 7.5%), 2.75% inflation (1998 - 3.00%), salary rate increases of 4.5% (1998 - 4.5%) and post retirement indexing at 2/3 of the inflation rate. The service to date projected benefit method was used and the liabilities have been extrapolated to March 31, 2003 using a formula provided by the actuary and adjusted for a provision for adverse experience and a trust fund credit.

Provision for employer's share of employees' pension plan:

	2003	2002
Balance, beginning of year, as previously stated	$ 261,007	$ 233,793
Adjustment due to change in accounting method and correction of an error	(87,884)	(55,677)
Balance, beginning of year, as restated	173,123	178,116
Experience loss (gain)	(16,430)	
Adjusted beginning balance	156,693	178,116
Benefits accrued	11,259	11,462
Interest accrued on benefits	11,980	11,039
Benefits paid	(5,459)	(27,494)
Balance, end of year	$ 174,473	$ 173,123

THE HORSE RACING COMMISSION

Notes to the Financial Statements
for the year ended March 31, 2003

4. Fees, licenses and fines

	2003	2002
Assiniboia Downs		
Daily licenses	$ 52,050	$ 52,360
Fees and licenses	36,476	33,728
Fines	9,958	10,309
	98,484	96,397
Rural Circuit		
Daily licenses		2,625
Fees and licenses	720	1,625
Fines	1,350	845
	2,070	5,095
	$ 100,554	$ 101,492

5. Statement of cash flows

A statement of cash flows has not been provided as information about financing and investing activities and their effects on cash resources are readily apparent from the other financial statements.

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Telefax (204) 957-0808
www.kpmg.ca

AUDITORS' REPORT

To the Members of Insurance Council of Manitoba

We have audited the statement of financial position of Insurance Council of Manitoba as at March 31, 2003 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada
April 25, 2003

INSURANCE COUNCIL OF MANITOBA

Statement of Financial Position

March 31, 2003, with comparative figures for 2002

		2003		2002
Assets				
Current assets:				
Cash	$	100,157	$	79,435
Money market fund (note 2)		104,034		410,858
Interest receivable		7,260		-
		211,451		490,293
Long-term investments (note 3)		300,000		-
Capital assets (note 4)		44,011		55,163
	$	555,462	$	545,456
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued liabilities (note 5)	$	39,679	$	32,836
Deferred revenue		86,586		79,789
		126,265		112,625
Net assets		429,197		432,831
Commitments (note 7)				
	$	555,462	$	545,456

See accompanying notes to financial statements.

INSURANCE COUNCIL OF MANITOBA

Statement of Operations and Changes in Net Assets

Year ended March 31, 2003, with comparative figures for 2002

	2003	2002
Revenue:		
Licenses (note 5)	$ 441,689	$ 418,117
Examinations	32,431	30,313
Other	28,148	19,489
Interest income	15,495	20,462
	517,763	488,381
Expenses:		
Advertising, dues and subscriptions	1,928	3,007
Amortization	16,125	21,086
Bank charges and interest	1,136	1,169
Computer consulting fees	5,981	4,781
Council	18,765	17,430
Equipment leases	6,152	6,451
Insurance	1,038	2,726
Loss on disposal of capital assets	-	393
Meetings and trips	34,886	30,778
Office and equipment rental	23,976	18,600
Postage and courier	20,127	17,289
Professional fees	54,849	70,720
Rent	55,480	54,255
Salaries and benefits	269,406	243,453
Telephone	10,417	8,905
Training	1,131	2,362
	521,397	503,405
Deficiency of revenue over expenses	(3,634)	(15,024)
Net assets, beginning of year	432,831	447,855
Net assets, end of year	$ 429,197	$ 432,831

See accompanying notes to financial statements.

INSURANCE COUNCIL OF MANITOBA

Statement of Cash Flows

Year ended March 31, 2003, with comparative figures for 2002

	2003	2002
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	$ (3,634)	$ (15,024)
Items not involving cash:		
Amortization of capital assets	16,125	21,086
Loss on disposal of capital assets	-	393
Change in non-cash operating working capital:		
Interest receivable	(7,260)	-
Prepaid expenses	-	1,639
Accounts payable and accrued liabilities	6,843	1,804
Deferred revenue	6,797	5,129
	18,871	15,027
Financing and investing:		
Purchase of capital assets	(4,973)	(3,559)
Purchase of investments	(300,000)	-
Sale of investments	-	300,000
	(304,973)	296,441
Increase (decrease) in cash	(286,102)	311,468
Cash, beginning of year	490,293	178,825
Cash, end of year	$ 204,191	$ 490,293
Cash is defined as:		
Cash	$ 100,157	$ 79,435
Money market funds	104,034	410,858
	$ 204,191	$ 490,293

See accompanying notes to financial statements.

INSURANCE COUNCIL OF MANITOBA

Notes to Financial Statements

Year ended March 31, 2003

General:

The Council was created under the provisions of the *Insurance Act* (Manitoba) on October 17, 1991 and commenced activities on May 6, 1992. The purpose of the Council is to administer the examinations for and licensing of insurance agents in Manitoba. The Council is exempt from income taxes under section 149(1) of the *Income Tax Act*.

1. Significant accounting policies:

(a) Fee revenue:

License fees are recognized as income over the term of the license period, other fee revenue is recognized as collected.

(b) Investments:

Investments in short-term securities are recorded at cost.

Investments in long-term securities are recorded at cost. When there is an other than temporary decline in the fair value of investments, the carrying value is reduced to that fair value.

(c) Capital assets:

Capital assets are recorded at cost and are amortized over their estimated useful lives as follows:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer hardware and software	Declining balance	30%

(d) Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

2. Short-term investment:

	2003	2002
Bank of Montreal premium money market fund	$ 104,034	$ 410,858

The fair value of the short-term investment approximates the carrying value at March 31, 2003.

3. Long-term investments:

	2003	2002
Manitoba Hydro bonds, 4.75%, maturing June 15, 2005	$ 150,000	$ -
Canadian Western Bank GIC, 3.20%, maturing October 20, 2003	50,000	-
Bank of Montreal mortgage GIC, 3.6%, maturing October 18, 2004	50,000	-
Manulife Bank GIC, 3.5%, maturing March 4, 2005	50,000	-
	$ 300,000	$ -

4. Capital assets:

			2003	2002
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$ 38,013	$ 28,652	$ 9,361	$ 11,701
Computer hardware	68,705	49,541	19,164	21,505
Computer software	75,122	59,636	15,486	21,957
	$ 181,840	$ 137,829	$ 44,011	$ 55,163

5. Related party transactions:

The Council and the Office of the Superintendent of Insurance of Manitoba ("OSIM") levy fees on members. The Council acts as agent and remits 46% of fees to the OSIM. This 46% is not included in the financial statements. In 2003, this amount is $426,765 (2002 - $402,051).

Included in accounts payable and accrued liabilities is $29,410 (2002 - $22,611) payable to OSIM.

6. RRSP:

The Council matches employee RRSP contributions. Employees may contribute up to 5.1% on the first $35,400 of earnings and up to 7% on earnings thereafter to a maximum of $13,500. The Council's contributions to employee RRSPs for the year ended March 31, 2003 were $12,340 (2002 - $10,855).

7. Commitments:

The Council leases its office premises under the provisions of an operating lease which expires July 31, 2005. The Council has other commitments to 2008. Commitments to expiry are as follows:

2004	$ 69,364
2005	70,518
2006	38,792
2007	7,732
2008	5,112

8. Fair value:

The fair value of cash, interest receivable, long-term investments, and accounts payable and accrued liabilities approximate their carrying value.

9. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

HMA
HAUGEN MORRISH ANGERS
CHARTERED ACCOUNTANTS

▪ P.O. Box 1200, 334 Ross Avenue
The Pas, Manitoba R9A 1L2
▪ Tel: (204) 623-5437
Fax: (204) 623-6390
1-800-663-2679
▪ E-mail: info@hmaca.com

AUDITORS' REPORT

To The Board of Governors
Keewatin Community College

We have audited the balance sheet of Keewatin Community College as at June 30, 2002 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Haugen Morrish Angers
CHARTERED ACCOUNTANTS

The Pas, Manitoba
August 30, 2002

KEEWATIN COMMUNITY COLLEGE

STATEMENT 1

BALANCE SHEET

JUNE 30

	KCC Fund	IUN Fund	NFDC Fund	Trust and Endowment Fund	Combined 2002	Combined 2001
ASSETS						
CURRENT						
Cash and short term investments	$ 2,346,665	$ 148,014	$ 177,761	$ 119,547	$ 2,791,987	$ 1,492,245
Accounts receivable *(Note 3)*	536,525	107,323	62,209		706,057	793,189
Due from COPSE *(Note 4)*	384,007				384,007	364,082
Inventory	134,827		9,866		144,693	130,341
Prepaid expenses	45,331	850	—	...	46,181	64,331
	3,447,355	256,187	249,836	119,547	4,072,925	2,844,188
CAPITAL ASSETS *(Note 5)*	1,440,549	17,122			1,457,671	1,419,409
DUE FROM PROVINCE OF MANITOBA *(Note 6)*	1,541,079	5,010	—	...	1,546,089	1,546,089
TOTAL ASSETS	$ 6,428,983	$ 278,319	$ 249,836	$ 119,547	$ 7,076,685	$ 5,809,686
LIABILITIES						
CURRENT						
Due to Province of Manitoba	$	$	$	$	$	$ 250,000
Accounts payable *(Note 7)*	419,782	89,316	1,107		510,205	645,751
Due to (from) other funds	(193,561)	(80,089)	273,650			
Deferred revenue *(Note 8)*	1,295,960	172,051	5,975		1,473,986	593,315
Accrued vacation benefits	1,369,433	51,515	12,787	...	1,433,735	1,214,512
	2,891,614	232,793	293,519		3,417,926	2,703,578
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS *(Note 9)*	433,332	17,122			450,454	316,377
ACCRUED SEVERANCE BENEFITS	1,055,780	28,404	1,135	...	1,085,319	976,791
	4,380,726	278,319	294,654	...	4,953,699	3,996,746
FUND BALANCES						
FUND SURPLUS (DEFICIT)						
CONTRIBUTED SURPLUS	218,701				218,701	218,701
NET ASSETS INVESTED IN CAPITAL ASSETS	1,007,217				1,007,217	1,103,032
NET ASSETS RESTRICTED FOR TRUST & ENDOWMENT PURPOSES				119,547	119,547	101,746
UNRESTRICTED NET ASSETS	822,339	—	(44,818)	—	777,521	389,461
	2,048,257	—	(44,818)	119,547	2,122,986	1,812,940
TOTAL LIABILITIES & FUND BALANCES	$ 6,428,983	$ 278,319	$ 249,836	$ 119,547	$ 7,076,685	$ 5,809,686

APPROVED BY THE BOARD OF GOVERNORS:

KEEWATIN COMMUNITY COLLEGE

STATEMENT 2

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30

	Unrestricted			Restricted	Net Assets Invested In Capital Assets		Contributed Surplus	
	KCC Fund	IUN Fund	NFDC Fund	Trust and Endowment Fund	KCC Fund	IUN Fund	KCC Fund	Combined 2002
FUND SURPLUS, *beginning of year*	$ 389,461	$	$	$ 101,746	$1,103,032	$	$ 218,701	$ 1,812,940
EXCESS REVENUE (EXPENDITURES)								
Keewatin Community College Fund	337,063							337,063
Inter-Universities North Fund								
Northern Forest Diversification Centre Fund			(44,818)					(44,818)
Trust and Endowment Fund				17,801				17,801
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS								
Amortization expense	147,564	8,459			(147,564)	(8,459)		
Amortization of deferred contributions related to capital assets	(51,749)	(8,459)			51,749	8,459		
Purchase of capital assets	194,285				(194,285)			
Deferred contributions related to capital assets	(194,285)	–	–	–	194,285	–	–	–
FUND SURPLUS (DEFICIT), *end of year*	$ 822,339	$ 0	$ (44,818)	$ 119,547	$1,007,217	$ 0	$ 218,701	$ 2,122,986

KEEWATIN COMMUNITY COLLEGE

STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30

	KCC Fund	IUN Fund	NFDC Fund	Trust and Endowment Fund	COMBINED 2002	COMBINED 2001
REVENUES						
Grants						
Council on Post-Secondary Education	$ 12,623,671	$ 771,041	$	$	$ 13,394,712	$ 12,646,370
Other *(Schedule 1)*	810,469		228,014		1,038,483	863,592
Amortization of deferred contributions related to capital assets	51,749	8,459			60,208	35,468
Ancillary sales and services *(Schedule 2)*	1,505,342		39,587		1,544,929	1,287,043
Donations	22,071			113,198	135,269	116,100
Gain on disposal of capital assets	1,200				1,200	
Investment income	70,918	3,887		3,103	77,908	77,399
Market Driven Training	935,400		36,628		972,028	1,441,552
Tuition and student fees *(Schedule 3)*	2,085,656	424,060			2,509,716	2,027,416
Other revenue	405,473	153,357	14,464	--	573,294	333,384
	18,511,949	1,360,804	318,693	116,301	20,307,747	18,828,324
EXPENDITURES *(Schedule 4)*						
Advertising	211,729	26,449	397		238,575	229,968
Amortization of capital assets	147,564	8,459			156,023	164,966
Bad debts	156,361	5,601			161,962	101,380
Cost of Goods Sold	886,371		47,471		933,842	705,769
Employee benefits	941,345	68,000	17,408		1,026,753	986,094
Insurance	33,832	330			34,162	34,408
Library acquisitions	38,994				38,994	38,499
Facility costs	625,217				625,217	597,316
Furniture and minor equipment	587,914	17,850	6,608		612,372	391,699
Maintenance and repairs	97,712	530	2,151		100,393	97,979
Operational supplies and services	1,533,612	125,825	60,066		1,719,503	1,591,398
Property taxes	426,564				426,564	397,253
Rentals and leases	240,132	15,782	16,584		272,498	268,125
Salaries	11,318,406	833,497	180,472		12,332,375	10,874,383
Scholarships and bursaries				98,500	98,500	94,000
Telephone and communication	374,354	13,359	4,533		392,246	352,269
Travel and hospitality	450,293	245,122	20,920		716,335	619,946
Utilities	104,486	–	6,901	--	111,387	117,475
	18,174,886	1,360,804	363,511	98,500	19,997,701	17,662,927
EXCESS REVENUES (EXPENDITURES)	$ 337,063	$ -	$(44,818)	$ 17,801	$ 310,046	$ 1,165,397

KEEWATIN COMMUNITY COLLEGE

STATEMENT 4

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess Revenue (Expenditures)		
Keewatin Community College Fund	$ 337,063	$ 1,145,937
Inter-Universities North Fund		
Northern Forest Diversification Centre Fund	(44,818)	
Trust and Endowment Fund	17,801	19,460
	310,046	1,165,397
Add (deduct) items not involving cash		
Gain on disposal of capital assets	(1,200)	
Amortization of capital assets	156,023	164,966
Amortization of deferred contributions related to capital assets	(60,208)	(35,468)
	404,661	1,294,895
Add (deduct) changes in non-cash working capital components related to operating activities		
Accounts receivable	87,132	182,278
Due from COPSE	(19,925)	(19,227)
Inventory	(14,352)	32,114
Prepaid expenses	18,150	(19,072)
Due from Province of Manitoba		33,728
Due to Province of Manitoba	(250,000)	(177,912)
Accounts payable and accrued liabilities	(135,546)	(157,328)
Deferred grant revenue	880,671	56,311
Accrued vacation benefits	219,223	55,172
Accrued severance benefits	108,528	(18,598)
	1,298,542	1,262,361
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred contributions related to capital assets	194,285	140,930
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(194,285)	(140,930)
Proceeds on disposal of capital assets	1,200	-
	(193,085)	(140,930)
NET INCREASE IN CASH FLOWS DURING THE YEAR	1,299,742	1,262,361
CASH AND SHORT-TERM INVESTMENTS, *beginning of year*	1,492,245	229,884
CASH AND SHORT-TERM INVESTMENTS, *end of year*	$ 2,791,987	$ 1,492,245

1. NATURE OF OPERATIONS

Keewatin Community College operates under the authority of the Colleges Act, Chapter C150.1 of the continuing consolidation of the Statutes of Manitoba. This legislation established the College as a board-governed institution on April 1, 1993.

The College has tax-exempt status as a registered charity under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The transactions of the corporation have been segregated into the following funds in accordance with specified activities or objectives:

KCC Community College Fund - transactions related to educational and ancillary activities of Keewatin Community College.

Inter-Universities North Fund - transactions related to the educational programs of the Inter-Universities North Program, which is administered by Keewatin Community College.

Northern Forest Diversification Fund – transactions related to the educational and ancillary activities of the Northern Forest Diversification Centre.

Trust and Endowment Fund - transactions related to donations and endowments for student scholarships and bursaries.

b) Revenue Recognition

Tuition and fees are recognized as revenue in the semester or term earned.

Revenue from Market Driven Training contracts is recognized during the year at a rate approximating the delivery of the contracted programs and services.

Investment income is recognized as revenue when earned.

Contributions:

Unrestricted contributions and grants are recognized as revenue when received or receivable.

Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred.

Donations are reported as revenue when received.

Endowment contributions (and/or investment income thereon) that are held in perpetuity according to restrictions placed by the donors are recognized as direct increases in the Trust and Endowment Fund Balance.

Contributions (or portions permitted thereof), which are designated for the purchase of capital assets, are deferred and amortized to revenue at the same rate as the related capital assets are amortized to expenditures.

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

c) Short-term investments

Investments are recorded at the lower of cost or net realizable value.

d) Inventory

Inventory is recorded at the lower of cost or net realizable value.

e) Capital Assets

Individual capital assets with a value greater than $5,000 are capitalized and recorded at cost in the year of acquisition. Individual capital assets with a value less than $5,000 are expensed in the year of acquisition. Amortization of capitalized assets is recorded on a straight-line basis commencing the year after acquisition over the following periods:

Automotive equipment	5 years
Buildings	40 years
Building improvements	10 years or lease term
Computer equipment	5 years
Other Equipment	10 years

Library holdings are valued using the "base stock" method, and accordingly are recorded at the value transferred upon governance at April 1, 1993. No amortization is taken on library holdings, and subsequent library acquisitions are expensed in the year of purchase.

Certain capital assets purchased for specific Market Driven Training contracts are expensed in the year of purchase.

3. ACCOUNTS RECEIVABLE

	2002	2001
KCC Operating Fund		
Students	$ 294,055	$ 201,718
Market Driven Training	725,929	725,698
Other	140,089	270,128
	1,160,073	1,197,544
Less: Allowance for Doubtful Accounts	(623,548)	(484,862)
	$ 536,525	$ 712,682
Inter-Universities North Fund		
Students	$ 104,750	$ 73,896
Other	29,133	27,570
	133,883	101,466
Less: Allowance for Doubtful Accounts	(26,560)	(20,959)
	$ 107,323	$ 80,507

4. DUE FROM COPSE

Accrued operating grants and reimbursements receivable from the Council on Post Secondary Education:

	2002	2001
ACRS	$ 165,528	$ 153,230
Property Taxes	218,479	198,744
Reimbursement - student 10% tuition rebates	-	12,108
	$ 384,007	$ 364,082

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2002	Net Book Value 2001
KCC Operating Fund				
Automotive equipment	$ 275,254	$ 191,855	$ 83,399	$ 117,507
Computer equipment	512,433	380,967	131,466	146,438
Other equipment	805,520	430,973	374,547	324,714
Buildings and improvements	160,456	23,480	136,976	91,008
Library holdings	714,161	-	714,161	714,161
	$ 2,467,824	$ 1,027,275	$ 1,440,549	$ 1,393,828
Inter-Universities North Fund				
Computer equipment	$ 34,986	$ 25,749	$ 9,237	$ 16,234
Other Equipment	14,616	6,731	7,885	9,347
	$ 49,602	$ 32,480	$ 17,122	$ 25,581

6. DUE FROM PROVINCE OF MANITOBA

The Province of Manitoba has recognized its liability to the College for the opening balances of accrued employee severance benefits and vacation benefits as at April 1, 1998, when the College assumed responsibility for these expenditures. There are no terms of repayment for the balance due.

Accrued severance benefits, April 1, 1998	$ 793,500
Accrued vacation benefits, April 1, 1998	752,589
	$ 1,546,089

7. ACCOUNTS PAYABLE

	2002	2001
KCC Operating Fund		
Trade accounts payable	$ 101,552	$ 64,216
Wages and benefits payable	57,666	103,322
Due to Student Associations	7,215	9,184
Accrued ACRS		153,230
Accrued property taxes	218,478	198,744
Other accrued liabilities	34,871	56,654
	$ 419,782	$ 585,350

7. ACCOUNTS PAYABLE *continued*

	2002	2001
Inter-Universities North Fund		
Trade accounts payable	$ 40,615	$ 32,801
Other accrued liabilities	48,701	27,600
	$ 89,316	$ 60,401

8. DEFERRED REVENUE

Deferred revenue or contributions reported in each fund relate to designated contributions received in the current year that are related to expenditures of a subsequent year. Changes in deferred contributions during the year are as follows:

	Beginning of Year	Increases	Decreases	End of Year
KCC Operating Fund				
COPSE - Capital Grant	$ 14,970	$	$ (14,970)	$
COPSE - HEAP Grant	83,950	83,950	(113,900)	54,000
COPSE - Ecotourism		30,000		30,000
COPSE - Operating Grant		93,397		93,397
COPSE - CEI Grant		275,000		275,000
Lease revenue & maintenance fees		5,644		5,644
Manitoba Hydro	29,200		(5,576)	23,624
Manitoba (Education, Training & Youth) Computer-based learning	2,575	53,004	(2,575)	53,004
Computer-based Health Education	27,500			27,500
Prior Learning Assessment		32,000		32,000
Split Lake - Adult Education		73,373		73,373
Split Lake - Early Childhood Education		106,380		106,380
Split Lake - Computerized Business Applications		67,002		67,002
Market Driven Training Contracts in Progress	244,675	453,518	(244,675)	453,518
Miscellaneous	800		(800)	
Non-Timber Forest Products Training	11,835		(11,835)	
Northern Scientific Training Program	1,518			1,518
Recycling grant	900		(900)	
University of Manitoba Faculty of Nursing	75,000	–	(75,000)	–
	$ 492,923	$ 1,273,268	$ (470,231)	$ 1,295,960
Inter-Universities North Fund				
COPSE Operating	$ 95,317	$ 166,976	$ (95,317)	$ 166,976
COPSE Overpayment	5,075	5,075	(5,075)	5,075
	$ 100,392	$ 172,051	$ (100,392)	$ 172,051

9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	Beginning of Year	Increases	Decreases	End of Year
KCC Operating Fund	$ 290,796	$ 194,285	$ (51,749)	$ 433,332
Inter-Universities North Fund	$ 25,581	$ 0	$ (8,459)	$ 17,122

10. PENSION COSTS AND OBLIGATIONS

The College's employees are contributing members of the provincially operated Civil Service Superannuation Plan or the Teachers Retirement Annuity Fund defined benefit pension plans. The accumulated superannuation liabilities continue to be funded directly by the Province of Manitoba, rather than the corporation itself.

The benefit to the College of having its share of pension benefits paid directly by the Province of Manitoba has not been quantified by an actuarial valuation. The employee contributions during the fiscal year were $604,680 (2000/2001 - $508,875).

11. RECONCILIATION OF COPSE GRANTS RECEIVED AND GRANT REVENUE

	KCC	IUN
COPSE Grant Payments Received During Year	$ 13,206,423	$ 883,119
Add: Payment received in Prior Fiscal Year		5,075
Less: Overpayment Deferred to Subsequent Year		(5,075)
Less: Reimbursements for Student 10% tuition rebates	(73,023)	(40,419)
COPSE Grants Authorized for Fiscal Year	13,133,400	842,700
Less: Deferred to Subsequent Fiscal Year	(452,397)	(166,976)
Add: Deferred from Prior Fiscal Year	98,920	95,317
Less: Deferred Contributions related to Capital Assets	(188,285)	
Add: Change in Accrued ACRS and Property Tax Funding	32,033	--
COPSE Grant Revenue *(Statement 3)*	$ 12,623,671	$ 771,041

12. CONTRACTUAL OBLIGATIONS

The College has entered into various contracts to rent office equipment, lease facility space, and for services provided by third parties for food services, security and building management. Contractual obligations over the next three years are as follows:

2002/03	$ 222,100
2003/04	47,400
2004/05	11,100

SCHEDULE 1 - OTHER GRANT REVENUE

	2002	2001
Province of Manitoba (Education, Training & Youth)		
Adult Learning Centre	$ 250,000	$
Apprenticeable Trades Program	39,411	
Computer Based Learning System	93,225	114,864
Cross Lake	2,627	
Ecotourism	2,585	
Flin Flon Employment Centre		5,758
Health Care Aide	18,101	15,717
Leaf Rapids	8,203	
Non-Timber Forest Products		52,060
Occupational Prep for Trades	29,700	
Prior Learning Assessment	73,000	
Split Lake (Adult Education, CBA, ECE)	213,041	...
	729,893	188,399
Province of Manitoba (Intergovernmental Affairs)		
Non-Timber Forest Products		3,750
Assiniboine Community College		17,000
Government of Canada (Western Economic Diversification)		
Non-Timber Forest Products		168,015
Manitoba Hydro	5,576	800
NOR-MAN Regional Health Authority		76,201
School District of Mystery Lake No. 2355		294,427
University of Manitoba Faculty of Nursing	75,000	115,000
	$ 810,469	$ 863,592

KEEWATIN COMMUNITY COLLEGE

Schedules to the Financial Statements

YEAR ENDED JUNE 30

SCHEDULE 2 - ANCILLARY SALES AND SERVICES

	2002	2001
Bookstore	$ 1,017,316	$ 768,027
Cafeteria	199,445	221,412
Residence	288,581	297,604
	$ 1,505,342	$ 1,287,043

SCHEDULE 3 - TUITION AND STUDENT FEES

	2002	2001
Apprenticeship	$ 884,966	$ 763,205
Credit	1,159,595	809,690
Non-credit	41,095	61,110
	$ 2,085,656	$ 1,634,005

SCHEDULE 4 - KCC EXPENDITURES BY FUNCTION

	2002			2001
	Salaries & Benefits	Other	TOTAL	TOTAL
Academic	$ 6,857,041	$ 1,033,990	$ 7,891,031	$ 6,512,040
Administration	1,269,322	1,077,935	2,347,257	1,747,635
Ancillary Sales & Service	399,537	974,711	1,374,248	1,258,490
Continuing Education	47,874	11,124	58,998	49,010
Library	192,312	49,641	241,953	230,545
Market Driven Training	897,552	269,919	1,167,471	1,575,271
MIS	504,583	543,588	1,048,171	807,538
Plant	381,818	1,514,997	1,896,815	1,915,390
Program support	1,709,712	439,230	2,148,942	2,280,638
	$ 12,259,751	$ 5,915,135	$ 18,174,886	$ 16,376,557

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Legal Aid Services Society of Manitoba

We have audited the balance sheet of The Legal Aid Services Society of Manitoba as at March 31, 2003 and the statements of revenue and expenditure, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Legal Aid Services Society of Manitoba as at March 31, 2003 and the results of its operations and its cash flow for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
August 1, 2003

THE LEGAL AID SERVICES SOCIETY OF MANITOBA

Balance Sheet
as at March 31

	2003	2002
ASSETS		
Current Assets		
Bank	$ 93,167	$ 181,721
Client accounts receivable, net (Note 3)	235,187	216,989
Receivable from the Province of Manitoba	330,480	80,000
Receivable from the Gov't of Canada	224,100	68,965
Receivable from the Manitoba Law Foundation	-	48,750
Other receivables, net (Note 4)	226,665	89,884
Prepaid expense	340,223	461,947
	1,449,822	1,148,256
Capital Assets, Net (Note 5)	146,841	88,510
Long-term receivable - charges on land (Note 6)	795,969	846,844
Long-term receivable - severance - Province of Manitoba (Note 7)	716,166	716,166
Long-term receivable - pension - Province of Manitoba (Note 14)	9,267,882	8,121,522
	$ 12,376,680	$ 10,921,298
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 813,855	$ 1,084,413
Accrued vacation pay	787,508	758,117
Deferred revenue from clients	385,929	375,770
Deferred contribution from Province of Manitoba (Note 8)	30,000	30,000
	2,017,292	2,248,300
Severance liability (Note 7)	1,091,506	1,001,117
Provision for employee pension benefits (note 14)	9,267,882	8,121,522
Net Assets	-	(449,641)
	$ 12,376,680	$ 10,921,298

THE LEGAL AID SERVICES SOCIETY OF MANITOBA

Statement of Revenue and Expenditure
for the year ended March 31

	2003	2002
Revenue		
Province of Manitoba (Note 9)	$ 17,581,658	$ 15,445,958
Manitoba Law Foundation (Note 10)	1,217,629	2,088,908
Contributions from clients	840,800	938,693
Recoveries from third parties	848,837	651,630
Government of Canada	225,954	85,732
Judgment costs and settlements	117,712	117,987
Interest income	10,659	16,008
Other	2,397	3,178
	$ 20,845,646	$ 19,348,094
Expenditure		
Private bar fees and disbursements, net (Note 13)		
Legal aid certificates	$ 8,027,298	$ 8,078,804
Duty counsel services	157,778	133,964
Transcripts and Other Contributed Services	68,384	82,326
	8,253,460	8,295,094
Community Law Centres, Schedule 1	7,332,816	6,982,178
Public Interest Law Centre, Schedule 1	718,085	523,732
University Law Centre, Schedule 1	79,062	69,951
General and administrative, Schedule 1	4,012,582	3,663,383
	$ 20,396,005	$ 19,534,338
Excess (Deficiency) of revenue over expenditure	$ 449,641	$ (186,244)

THE LEGAL AID SERVICES SOCIETY OF MANITOBA

Statement of Cash Flow
for the year ended March 31

	2003	2002
Cash Flow Provided by (Used In) Operating Activities:		
Excess (Deficiency) of revenue over expenditure for the year	$ 449,641	$ (186,244)
Add items not affecting cash		
Amortization	22,270	8,216
Bad Debt Expense	105,913	152,913
Changes in working capital:		
Client accounts receivable	(124,111)	(197,246)
Province of Manitoba receivable	(250,480)	(3,000)
Gov't of Canada receivable	(155,135)	(68,965)
Manitoba Law Foundation receivable	48,750	(48,750)
Other receivables	(136,781)	(6,479)
Prepaid expense	121,724	(184,996)
Accounts payable and accrued vacation pay	(241,167)	270,739
Deferred revenue	10,159	23,555
	(149,217)	(240,257)
Cash Flow Provided by (Used In) Financing Activities:		
Decrease (Increase) - charges on land	50,875	(33,013)
Increase - long-term funding commitments	(1,146,360)	(866,737)
Increase - severance liability	90,389	105,614
Increase - provision for employee pension benefits	1,146,360	866,737
	141,264	72,601
Cash Flow Provided by (Used In) Investing Activities:		
Purchase of capital assets	(80,601)	(85,021)
	(80,601)	(85,021)
Net Decrease in Cash for the Year	(88,554)	(252,677)
Cash - Beginning of Year	181,721	434,398
Cash - End of Year	$ 93,167	$ 181,721

THE LEGAL AID SERVICES SOCIETY OF MANITOBA

Statement of Changes in Net Assets
for the year ended March 31

	2003			2002
	Invested in Capital Assets	Unrestricted Net Assets	Total	Total
Balance, Beginning of Year as previously stated	$ 88,510	$ (538,151)	$ (449,641)	$ (275,102)
Restatement of Prior Year	-	-	-	11,705
Balance, Beginning of Year as restated	88,510	(538,151)	(449,641)	(263,397)
Excess (Deficiency) of Revenue over Expenditures	(22,270)	471,911	449,641	(186,244)
Capital Asset Additions	80,601	(80,601)	-	-
BALANCE, END OF YEAR	$ 146,841	$ (146,841)	$ (0)	$ (449,641)

1. Nature of the Society

The Legal Aid Services Society of Manitoba (the Society) was established by an Act of the Legislative Assembly of Manitoba.

The objects of the Society, as set out in the Act, are:

- to provide legal advice and services to individuals, groups and organizations who, left to their own means, could not afford to retain the service of a lawyer.
- to furnish legal aid advice to groups and organizations involving matters of an interest common to members of the group and relating to issues of public interest such as, but not restricted to, consumer and environmental issues.

The Society is economically dependent upon the Province of Manitoba. Other revenue sources include the Manitoba Law Foundation, individual clients, and third party agencies.

2. Significant Accounting Policies

a) Accounting Basis

The financial statements are prepared on an accrual basis of accounting except for Private bar fees and disbursements which are recognized as expenditures based on lawyers= billings dates rather than the dates of providing required services.

b) Recognition of Contributions from Clients

Clients may be required to pay a portion or all of the legal costs incurred on their behalf by the Legal Aid Services Society of Manitoba based on the clients= ability to pay.

i) Agreements to Pay

Clients who are able to pay, sign an agreement to pay for their portion of the applicable legal costs. The amount the client is required to pay is specified on the legal aid certificate. The revenue and receivable are recognized when the certificate is signed.

ii) Expanded Eligibility

Under terms of expanded eligibility, clients are required to pay all of the legal costs and an administration fee of 25%. The revenue and receivable are recognized based on the date of the lawyer=s billing.

iii) Charges on Land

Charges on Land are registered under Section 17 of the Legal Aid Services Society Act in Land Titles on property owned by clients. The revenue and receivable are recognized at the later of the date the lien is filed or the date of the lawyer=s billing. Collection of these accounts in the future is dependent on the client disposing of the property or arranging for payment.

c) Allowance for Doubtful Accounts

An allowance for doubtful accounts is recorded against receivables based on a specific review of accounts.

d) Capital Assets

Capital Assets are recorded at cost less accumulated amortization. Amortization is proved on the straight-line basis over the estimated useful life of the asset as follows:

$ Furniture and office equipment - 10 years
$ Computer Hardware and Software - 4 years
$ Leasehold Improvements - over the term of the lease

e) Contributed Services

Under an arrangement between the Society and the Department of Justice, the Department provides transcripts and other services to the Society at no cost. The value of these contributed services is recorded as revenue and as an expenditure.

f) Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

g) Pension Plan

Employees of the Society are pensionable under the Civil Service Superannuation Act. The Society accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial valuation.

h) Financial Instruments

Legal Aid Services Society=s financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, and accrued liabilities. Unless otherwise noted, it is management=s opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

3. Client Accounts Receivable, net

	2003	2002
Agreements to Pay	$ 73,617	$ 66,266
Expanded Eligibility	432,763	412,364
	506,380	478,630
Less: Allowance for Doubtful Accounts	271,193	261,641
Clients Accounts Receivable, net	$ 235,187	$ 216,989

4. Other Receivables, net

	2003	2002
Court Costs	$ 162,581	$ 172,681
Child and Family Services	5,190	5,705
Social Services	41,251	68,465
Employee Advances, GST Recoverable and Miscellaneous	176,068	11,051
	385,090	257,902
Less: Allowance for Doubtful Accounts	158,425	168,018
Other Receivables, net	$ 226,665	$ 89,884

5. Capital Assets

	2003		2002	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	$ 44,197	$ 5,661	$ 32,212	$ 1,841
Computer Hardware & Software	29,961	10,624	23,493	3,942
Leasehold Improvements	71,813	15,365	42,185	3,597
Work-in-progress	32,520	-	-	-
	$ 178,491	$ 31,650	$ 97,890	$ 9,380
Net Book Value		$ 146,841		$ 88,510

6. Charges on land

	2003	2002
Charges on Land	$ 1,591,938	$ 1,693,688
Less: Allowance for Doubtful Accounts	795,969	846,844
Charges on Land, net	$ 795,969	$ 846,844

7. Severance pay benefits

Effective April 1, 1998, Legal Aid is recording accumulated severance pay benefits for their employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from Legal Aid. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province accepted responsibility for the severance benefits accumulated by Legal Aid employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $716,166 was completely offset by a receivable from the Province. There are no terms of repayment for the receivable, and the amount will remain fixed at $716,166.

8. Deferred Contribution from the Province of Manitoba

At March 31, 2003, Legal Aid was holding $30,000 in deferred contributions from the Province of Manitoba pertaining to this special trial. The main trial was completed in 2001, however final assessment of costs related to proceedings are still outstanding.

9. Revenue from the Province of Manitoba

	2003	2002
Grant	$ 9,862,653	$ 8,023,200
Salaries and other payments	6,948,481	6,662,042
Health and post secondary education tax levy	148,872	144,579
Employer portion of employee benefits	492,708	463,379
Contributed Services	128,944	152,759
	$ 17,581,658	$ 15,445,958

Funding from the Province of Manitoba includes the Society's share of provisions recorded for unfunded pension liabilities. The Province of Manitoba agreed to fund the Society's accumulated deficit as at March 31, 2003. As a result, the Society recorded revenue and an offsetting receivable from the Province of Manitoba of $330,480.

10. Revenue from the Manitoba Law Foundation

	2003	2002
Statutory Grant	$ 1,007,629	$ 1,893,908
Public Interest Law Centre	150,000	150,000
University Law Centre	60,000	45,000
	$ 1,217,629	$ 2,088,908

A statutory grant, pursuant to subsection 65(1) of The Law Society Act, is received annually from The Manitoba Law Foundation. The Society=s share under the Act is 50% of the total interest on lawyers= trust accounts as received by the Foundation or a minimum of $1,007,629, whichever is greater. In the event that interest received by the Foundation in the preceding year, after deduction of the Foundation=s operational expenses, is not sufficient to pay the statutory minimum of $1,007,629 to The Legal Aid Services Society, the Act provides for pro-rata sharing of the net interest.

Other grants from The Manitoba Law Foundation are received pursuant to subsection 65(4) of The Law Society Act. These grants are restricted for the Public Interest Law Centre and the University Law Centre. At March 31, 2003, there were no unrestricted funds remaining from these grants.

11. Commitments

i) Lease

The Society rents facilities under operating leases. Unpaid remaining commitments under the leases, which expire at varying dates to March 31, 2008 are:

2004	$	457,484
2005	$	457,484
2006	$	457,484
2007	$	322,511
2008	$	178,813
	$	1,883,776

ii) Private Bar

Estimated total commitments for future billings on outstanding legal aid certificates amount to $7,007,000 as at March 31, 2003 (2002 - $6,707,000).

12. Related Parties Transactions

The Society is related in terms of common ownership to all Province of Manitoba created departments, agencies and crown corporations. The Society enters into transactions with these entities in the normal course of business.

13. Private Bar Fees and Disbursements, net

	Fees	Disbursements	2003 Total	2002 Total
Legal Aid Certificates	$7,465,955	$785,074	$8,251,029	$ 8,065,170
Reduction in fees	(223,731)	-	(223,731)	(52,310)
Holdback Repayment	-	-	-	65,944
	7,242,224	785,074	8,027,298	8,078,804
Duty Counsel	160,125	-	160,125	133,921
Reduction in fees	(2,347)	-	(2,347)	(720)
Holdback Repayment	-	-	-	763
	157,778	-	157,778	133,964
Transcripts and Other Contributed Services	-	68,384	68,384	82,326
Net	$7,400,002	$853,458	$ 8,253,460	$ 8,295,094

Since 1992 the private bar fees have been reduced by a percentage determined by the Board. The specific reduction applied to the private bar fees is the reduction in fees approved by the Board relating to the year in which the legal aid file was opened. For March 31, 2003 the percentage reduction in fees approved by the Board was set at 4% for criminal matters only. There is no liability for the reduction of fees held back beyond the distribution approved by the Board each year.

14. Provision for Employee Pension Benefits

Pension costs consist of the employer=s share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined by an actuarial valuation every three years with the balances for the intervening years being determined by formula provided by the actuary. The most recent valuation was completed as at December 31, 2001 by Ellement & Ellement Ltd., Consulting Actuaries.

	2003	2002
Balance at beginning of year	$ 8,121,522	$ 7,254,785
Experience Gain (Loss)	191,581	-
Benefits accrued	412,041	414,865
Interest accrued on benefits	614,411	551,823
Benefits paid	(71,673)	(99,951)
Balance at end of year	$ 9,267,882	$ 8,121,522

The key actuarial assumptions were a rate of return of 6.75% (1998 – 7.0%), 2.75% inflation (1998 – 3.0%), salary rate increases of 4.5% (1998 - 4.5%) and post retirement indexing at 2/3 of the inflation rate. The entry age normal actuarial cost method was used and the liabilities have been extrapolated to March 31, 2003 using a formula provided by the actuary.

The Province of Manitoba has accepted responsibility for the unfunded pension liability. Accordingly the provision for employee pension benefits is offset by a receivable from the Province of Manitoba. There are no terms of repayment for this receivable.

15. Public Sector Compensation Disclosure

For the purposes of the Public Sector Compensation Disclosure Act, all compensation for employees, Board members and the private bar fees and disbursements from The Legal Aid Services Society of Manitoba is disclosed in a separate statement.

16. Comparative Figures

Certain 2002 financial statement figures have been reclassified to be consistent with the 2003 presentation.

STEFANSON & LEE
Chartered Accountants

AUDITORS' REPORT

To the Board of Directors of
Manitoba Adolescent Treatment Centre Inc.

We have audited the balance sheet of Manitoba Adolescent Treatment Centre Inc. as at March 31, 2003 and the statement of operations and the statements of changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Centre's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2003 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Stefanson Lee
Chartered Accountants

Winnipeg, Manitoba
May 14, 2003

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Balance Sheet
March 31, 2003

	2003	2002
ASSETS		
Current		
Cash and short term investments	$ 1,039,189	1,081,852
Prepaid expenses	16,107	15,422
Accounts receivable	55,249	19,228
	1,110,545	1,116,502
Pre-retirement leave receivable	448,694	424,653
Capital assets (note 3)	2,215,375	2,059,150
	$ 3,774,614	3,600,305
LIABILITIES		
Current		
Accounts payable	$ 195,899	324,710
Accrued wages	229,187	189,174
Vacation pay payable	695,566	605,506
Current portion of long-term debt	30,000	30,000
	1,150,652	1,149,390
Pre-retirement leave payable	448,694	424,653
Long-term debt (note 4)	7,500	37,500
Deferred contributions (note 5)	16,029	16,029
Deferred contributions relating to capital assets (note 6)	1,349,088	1,238,270
	2,971,963	2,865,842
NET ASSETS		
Unrestricted	(26,136)	(18,917)
Net investment in capital assets	828,787	753,380
	802,651	734,463
	$ 3,774,614	3,600,305

APPROVED BY THE BOARD:

Lexa Szwaluk DIRECTOR

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Statement of Operations
for the year ended March 31, 2003

	2003	2002
Income		
Program		
Winnipeg Regional Health Authority	$ 7,618,680	7,327,504
Province of Manitoba	25,000	25,000
Recovery and other	101,476	136,752
	7,745,156	7,489,256
Interest and miscellaneous income	4,221	5,880
Special projects	-	1,531
Amortization of deferred contributions	111,172	110,571
	7,860,549	7,607,238
Expenses		
Programs		
Hospital services	4,333,976	4,439,947
Community Child and Adolescent Treatment Services	1,778,424	1,474,785
Centralized Intake Services	337,295	-
Acute Treatment and Consultation Team	-	439,006
Youth Forensic Services	358,725	361,372
Educational Psychiatric Services	648,306	663,637
Early Psychosis Prevention and Intervention Services	126,275	-
	7,583,001	7,378,747
Special projects	-	1,531
Amortization of capital assets	141,172	140,571
	7,724,173	7,520,849
Excess of income over expenses for the year	136,376	86,389
Amount repayable to the Winnipeg Regional Health Authority (note 2)	68,188	-
Retainable portion of income over expenses for the year	$ 68,188	86,389

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Statement of Changes in Net Assets
for the year ended March 31, 2003

		Net Investment Capital Assets	Unrestricted	2003 Total	2002 Total
Balance, beginning of year	$	753,380	(18,917)	734,463	648,074
Excess of income over expenses for the year		-	68,188	68,188	86,389
Invested in capital assets		75,407	(75,407)	-	-
Amortization		(30,000)	30,000	-	-
Long-term debt repayment		30,000	(30,000)	-	-
Balance, end of year	$	828,787	(26,136)	802,651	734,463

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Cash Flow Statement
for the year ended March 31, 2003

		2003	2002
Cash from operating activities			
Excess of income over expenses for the year	$	68,188	86,389
Adjustments for non-cash items			
Amortization of capital assets		141,172	140,571
Change in deferred contributions		-	(1,531)
Net change in non-cash working capital items		(35,444)	172,427
Amortization of deferred contributions		(111,172)	(110,571)
Cash provided by operating activities		62,744	287,285
Financing and investing activities			
Mortgage principal repayments		(30,000)	(30,000)
Capital funding for asset purchases		221,990	35,000
Purchase of capital assets		(297,397)	(61,323)
Cash used in financing and investing activities		(105,407)	(56,323)
Change in cash for the year		(42,663)	230,962
Cash position, beginning of year		1,081,852	850,890
Cash position, end of year	$	1,039,189	1,081,852

1. **Purpose:**

The Manitoba Adolescent Treatment Centre Inc. (M.A.T.C.) was incorporated in the Province of Manitoba without share capital on February 23, 1983 as a non-profit organization and is a registered charity for income tax purposes. M.A.T.C. provides inpatient and outpatient services as well as rehabilitative and medical care and treatment programs to children and adolescents in Manitoba.

2. **Significant accounting policies:**

Revenue recognition

The Centre follows the deferral method for accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue as earned.

Capital assets

Capital assets are recorded at cost. Amortization is charged to the assets to amortize the cost over the estimated useful lives of the assets at the following annual rates.

Buildings	5% declining balance
Equipment	20% declining balance

Vacation pay

Vacation pay is recorded on the accrual basis. The vacation pay liability at March 31 is reflected as a payable in the statements. The receivable from government relating to the vacation pay will not be recorded until the vacation liability is settled.

Repayment to Winnipeg Regional Health Authority

The Centre and the Winnipeg Regional Health Authority (WRHA) have entered into an operating agreement which is effective from April 1, 2002 to March 31, 2006. In accordance with this agreement, the Centre is able to retain a portion of the excess of income over expenses for the year. This amount, which is identified as retainable surplus, is calculated in accordance with WRHA policy. The amount of excess of income over expenses which exceeds the retainable surplus is repayable to the WRHA in the year the funding is received.

Pre-retirement leave

Pre-retirement leave is recorded on the accrual basis. The receivable from the funders and the corresponding liability are reflected in the statements.

3. Capital assets:

	2003			2002
	Cost	Accumulated Amortization	Net	Net
Land	$ 542,743	-	542,743	542,743
Buildings	3,420,688	1,882,694	1,537,994	1,350,700
Equipment	961,555	826,917	134,638	165,707
	$ 4,924,986	2,709,611	2,215,375	2,059,150

4. Long-term debt:

	2003	2002
Toronto Dominion Bank, first mortgage, monthly payments of $2,500 plus interest at prime minus ½%	$ 37,500	67,500
Less current portion included in current liabilities	30,000	30,000
	$ 7,500	37,500

5. Deferred contributions:

	2003	2002
Grant from Winnipeg Foundation		
Balance, beginning of year	$ 16,029	17,560
Less allocation to income	-	(1,531)
Balance, end of year	$ 16,029	16,029

6. Deferred contributions relating to capital assets:

	2003	2002
Balance, beginning of year	$ 1,238,270	1,313,841
Capital funding received	221,990	35,000
Amortization of deferred contributions	(111,172)	(110,571)
	$ 1,349,088	1,238,270

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Schedule I - Schedule of Program Operations
for the year ended March 31, 2003

	Hospital Services	Community Child and Adolescent Treatment Services	Centralized Intake Services	Youth Forensic Services	Educational Psychiatric Services	Early Psychosis Prevention and Intervention Services	Total 2003	Total 2002
Income								
Winnipeg Regional Health Authority	$ 4,425,691	1,765,628	329,969	330,193	658,356	108,843	7,618,680	7,327,504
Province of Manitoba	-	-	-	25,000	-	-	25,000	25,000
Winnipeg School Division No. 1	-	-	-	-	39,569	-	39,569	41,368
Other	61,907	-	-	-	-	-	61,907	95,384
	4,487,598	1,765,628	329,969	355,193	697,925	108,843	7,745,156	7,489,256
Expenditures								
Operating								
Salaries and wages	3,097,262	1,323,900	260,396	301,701	482,670	66,809	5,532,738	5,360,214
Employee benefits	378,689	146,724	33,276	29,767	48,885	7,981	645,322	611,204
Health and Education levy	65,414	27,724	5,225	6,518	9,734	1,027	115,642	115,598
Accounting services	5,452	2,051	1,127	922	615	77	10,244	9,772
Professional and membership fees	15,110	1,650	1,200	1,200	1,200	-	20,360	38,951
Purchased services	116,191	112,279	-	-	95,215	-	323,685	371,853
Long-term debt interest	-	2,925	-	-	-	-	2,925	4,982
Other supplies and operating costs	655,858	161,171	36,071	18,617	9,987	50,381	932,085	866,173
	4,333,976	1,778,424	337,295	358,725	648,306	126,275	7,583,001	7,378,747
Capital								
Principal repayment of long-term debt	-	30,000	-	-	-	-	30,000	30,000
Total expenditures	4,333,976	1,808,424	337,295	358,725	648,306	126,275	7,613,001	7,408,747
Excess (deficiency) of income over expenditure for the year	$ 153,622	(42,796)	(7,326)	(3,532)	49,619	(17,432)	132,155	80,509

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To The Legislative Assembly of Manitoba, and
To the Board of Directors of the Manitoba Agricultural Credit Corporation

We have audited the balance sheet of The Manitoba Agricultural Credit Corporation as at March 31, 2003, the statement of revenue and expenditure and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 4, 2003

The Manitoba Agricultural Credit Corporation

Balance Sheet

As at March 31, 2003

	2003 $ (000s)	2002 $ (000s)
Assets		
Cash (Note 3)	$ 9,868	$ 12,645
Receivables (Notes 2 and 6)		
Mortgages (Note 4)	269,753	275,809
Other (Note 5)	14,093	19,254
Long-term funding commitments – Province of Manitoba (Note 7)	5,581	5,346
Real estate (Notes 2 and 12)	1,521	1,972
	$ 300,816	$ 315,026
Liabilities and Deficit		
Accounts payable		
Unearned real estate revenue	$ 12	$ 28
Other	998	1,132
Provision for Young Farmer Rebate	549	524
Provision for losses on guaranteed loans (Notes 2 and 11)	9,075	7,899
Provision for employee pension benefits (Notes 2 and 9)	5,352	5,117
Advances from Province of Manitoba (Note 8)	311,627	326,423
	327,613	341,123
Deficit		
Balance, beginning of year	(26,097)	(24,672)
Excess of expenditure over revenue	(700)	(1,425)
Balance, end of year (Note 17)	(26,797)	(26,097)
	$ 300,816	$ 315,026

Contingent Liabilities (Note 11)

The Manitoba Agricultural Credit Corporation
Statement of Revenue and Expenditure
for the year ended March 31, 2003

	2003 $ (000s)	2002 $ (000s)
Revenue		
Interest (Note 13)		
Mortgages	$ 20,027	$ 20,509
Other	940	1,225
Cash on deposit with Province of Manitoba	857	574
	21,824	22,308
Province of Manitoba – Net Funding (Note 15)	5,179	4,639
Services donated by Province of Manitoba (Note 2)	72	109
Real estate (Note 10)	239	188
Change in provision for decline in real estate values (Note 12)	20	35
Other	38	43
	27,372	27,322
Expenditure		
Administration costs		
Salaries and benefits (Note 2)	3,670	4,064
Impaired loan (recoveries) losses (Notes 2 and 6)	(168)	766
Change in provision for losses on guaranteed loans (Notes 2 and 11)	1,419	685
Assistance under the Manitoba Farm Mediation Board Program	56	95
Young Farmer Rebate	1,854	1,682
Flood proofing initiative administration	89	152
Other administration costs	936	1,037
	7,856	8,481
Financing charges		
Interest on advances from Province of Manitoba (Note 13)	20,216	20,266
	28,072	28,747
Excess of expenditure over revenue	$ 700	$ 1,425

The Manitoba Agricultural Credit Corporation
Statement of Cash Flows
for the year ended March 31, 2003

	2003 $ (000s)	2002 $ (000s)
Cash Provided By (Used for)		
Operating activities		
Excess of expenditure over revenue	$ (700)	$ (1,425)
Items not involving cash		
Change in provision for impaired loan losses	(457)	423
Gain on disposal of real estate	(96)	(18)
Change in provision for decline in real estate value	(20)	(35)
Change in provision for Young Farmer Rebate	25	13
Change in provision for losses on guaranteed loans	1,176	1,037
Change in provision for employee pension benefits	235	406
Mortgage loans disbursed	(35,169)	(48,889)
Mortgage principal received	41,304	42,763
	6,998	(4,300)
Decrease (increase) in other receivables	5,020	(1,592)
Decrease in mortgage receivables	284	376
(Decrease) increase in accounts payable	(150)	60
	5,154	(1,156)
Cash provided by (used for) operating activities	11,452	(6,881)
Investing activities		
Proceeds from real estate disposals	613	750
Real estate acquisitions	(46)	(484)
Cash provided by investing activities	567	266
Financing activities		
Advances received from Province of Manitoba	42,000	81,800
Advances repaid to Province of Manitoba	(56,796)	(69,922)
Cash (used for) provided by financing activities	(14,796)	11,878
Net (decrease) increase in cash	(2,777)	5,263
Cash, beginning of year	12,645	7,382
Cash, end of year	$ 9,868	$ 12,645

1. Nature of Operations

The Manitoba Agricultural Credit Corporation was incorporated under The Agricultural Credit Corporation Act of Manitoba. Under this Act, the corporation provides and administers financial assistance to farmers to assist in the development of farms in Manitoba.

2. Significant Accounting Policies

a) Basis of Accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

b) Allowances for Impaired Loans

The allowances for impaired loans are determined annually by a review of individual accounts. The allowances represent management's best estimate of probable losses on receivables. Where circumstances indicate doubt as to the ultimate collectibility of principal or interest, specific allowances are established for individual accounts. These accounts are valued at the lower of their recorded value and the estimated net realizable value of the security held for the accounts.

In addition to the allowances for impaired loans identified on an individual loan basis, the corporation establishes a further allowance for impaired loans. This additional allowance for loan impairment represents management's best estimate of probable losses in its entire loan portfolio, due to potential future declines in the value of the real estate taken as the underlying security for these loans.

Current year provisions for impaired loans are charged to administration expenditure as impaired loan losses. Actual accounts written off by Board resolution are charged to the allowances for impaired loans.

c) Provision for Losses on Guaranteed Loans

The provisions for losses on guaranteed loans are determined annually by a review of individual guarantees. The provisions represent management's best estimate of probable claims against the guarantees. Where circumstances indicate the likelihood of claims arising, provisions are established for those loan guarantees. These provisions would cover principal, accrued and unpaid interest, and amounts recoverable.

Current year provisions for losses on guaranteed loans are charged to administration expenditure. Actual claims paid are charged to the provisions for losses on guaranteed loans. Recoveries are credited against current year's expenditure.

2. Significant Accounting Policies (continued)

d) Real Estate Acquired in Settlement of Loans

Real estate that is acquired in settlement of loans through foreclosures and voluntary transfers of title is recorded at the lower of the recorded value of the loan and the appraised value of the real estate at acquisition date. Subsequent declines or increases in estimated realizable value are not recorded. Real estate is stated net of a provision for decline in real estate value.

e) Real Estate Under Long-Term Lease

Real estate that was acquired under the land lease program for long-term leases is recorded at cost.

f) Revenue Recognition

The Corporation recognizes revenue on the accrual basis of accounting, which includes interest, government grants, and donated services. The Corporation is funded primarily by the Province of Manitoba. Interest and Long-Term funding commitments are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

g) Pension Plan

Employees of the Corporation are pensionable under the Civil Service Superannuation Act. The Corporation accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial valuation. The Corporation began to fund contributions for new employees beginning October 1, 2002.

h) Financial Instruments

Credit Risk
The Corporation provides direct loans to its customers in the normal course of operations. It carries out, on a continuing basis, credit reviews on its customers and maintains provisions for contingent credit losses.

Interest Rate Risk
Interest rate risk is the risk to the company's earnings that arises from fluctuations in interest rates, and the degree of volatility of these rates. During the year ended March 31, 2003, the Corporation did not utilize derivative financial instruments to reduce its exposure to interest rate risk.

2. Significant Accounting Policies (continued)

h) Financial Instruments (continued)

Fair Value of Financial Instruments
Because of the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to cash, other receivables, long-term funding commitments, accounts payable, and accrued liabilities. Fair values of mortgages receivable and advances from the Province of Manitoba are disclosed in their respective notes.

i) Donated Services

The Province of Manitoba provides certain administrative services at no charge to the corporation. The estimated fair value of $72,100 for these services is included in salaries expenditure and donated services revenue in these financial statements.

j) Measurement Uncertainty – Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash

	2003 (000s)	2002 (000s)
Cash on hand in bank	$ 416	$ 265
Cash on deposit with Province of Manitoba	9,452	12,380
	$ 9,868	$ 12,645

4. Mortgages Receivable

		2003 (000s)	2002 (000s)
Amounts are due over the following terms:			
1 year	- Accrued interest	$ 12,088	$ 12,134
	- Arrears	1,856	2,041
	- Prepayments	(13,724)	(12,617)
	- Regular instalments	24,457	23,516
		24,677	25,074
2 years	- Regular instalments	25,300	24,244
3 years	- Regular instalments	24,916	24,961
4 years	- Regular instalments	25,376	24,356
5 years	- Regular instalments	24,993	24,624
Over 5 years	- Regular instalments	161,224	169,647
		286,486	292,906
Less: Allowance for impaired loans		16,733	17,097
		$ 269,753	$ 275,809

The approximate fair value of mortgages receivable at March 31, 2003 is $276,821,000 (2002 - $279,403,000). Fair value is based on expected future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

4. Mortgages Receivable (continued)

Terms of Mortgages Receivable

Direct lending and special assistance program mortgages are fixed rate mortgages which have an average yield as follows:

	Direct Lending Mortgages (000s)	Special Assistance Mortgages (000s)	Total (000s)
Less than 6.00%	$ 11,964	$ 0	$ 11,964
6.01% to 7.00%	111,658	23,337	134,995
7.01% to 8.00%	118,070	1,955	120,025
More than 8.00%	19,154	348	19,502
	$ 260,846	$ 25,640	$ 286,486

These mortgages have maturities as follows:

	Average Interest Rate	Direct Lending Mortgages (000s)	Special Assistance Mortgages (000s)	Total (000s)
1 to 4 years	7.782%	$ 14,029	$ 1,234	$ 15,263
5 to 9 years	7.070%	69,650	20,595	90,245
10 to 14 years	7.146%	94,158	3,008	97,166
15 to 19 years	7.238%	59,282	803	60,085
20 to 24 years	7.476%	21,852	0	21,852
More than 25 years	7.416%	1,875	0	1,875
		$ 260,846	$ 25,640	$ 286,486

5. Other Receivables

	2003 (000s)	2002 (000s)
Stocker loan advances	$ 15,193	$ 18,882
Flood proofing loan initiative	2,505	3,859
Lease revenue	58	80
Miscellaneous	14	203
	17,770	23,024
Less: Allowance for impaired loans	3,677	3,770
	$ 14,093	$ 19,254

6. Allowances for Impaired Loans

	2003 (000s)	Provision (000s)	Write-Offs (000s)	2002 (000s)
Direct lending mortgages	$ 11,859	$ 540	$ 265	$ 11,584
Special assistance mortgages	4,874	(632)	7	5,513
	16,733	(92)	272	17,097
Stocker loan advances	2,632	29	13	2,616
Flood proofing loan initiative	1,012	(100)	0	1,112
Other	33	(5)	4	42
	3,677	(76)	17	3,770
	$ 20,410	$ (168)	$ 289	$ 20,867

7. Long-term Funding Commitments – Province of Manitoba

	2003 (000s)	2002 (000s)
Employee Severance	$ 229	$ 229
Employee Pension Benefits (Note 9)	5,352	5,117
	$ 5,581	$ 5,346

8. Advances from Province of Manitoba

In accordance with Province of Manitoba practices, the corporation must repay advances according to the amortization schedule or be subject to a prepayment penalty. The mark to market calculation for any principal prepayment will be the present value of the cash flows on the principal being repaid against the cash flows using a yield to maturity on the date of the payment compounded semi-annually that a non-callable Province of Manitoba Bond would carry, if issued in Canadian dollars in Canada, at 100% of its principal amount on the payment date with a term to maturity equal to the remaining term to maturity of the loan being repaid.

	2003 (000s)	2002 (000s)
Advances are repayable in equal annual blended instalments of principal and interest, with interest rates from 4.750% to 8.000%. Maturities of principal by fiscal year are as follows:		
2003	$ -	$ 56,511
2004	47,891	28,097
2005	30,014	27,604
2006	30,316	27,783
2007	30,950	28,288
2008	26,304	23,507
2009 through 2031	146,152	134,633
	$ 311,627	$ 326,423

The approximate fair value of advances from the Province of Manitoba at March 31, 2003 is $302,474,000 (2002 - $304,509,000). Fair values for the advances from the Province of Manitoba are based on the net present value of expected future cash flows, discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

9. Provision for Employee Pension Benefits

Corporation employees are eligible for defined benefit pensions under The Manitoba Civil Service Superannuation Act. In accordance with the provisions of this Act, the corporation contributes 50% of the pension disbursements made to retired employees.

Actuarial valuations are to be carried out every three years to provide an estimate of the accrued liability for unfunded pension benefits. The most recent actuarial valuation was performed as at December 31, 2001. Based on the 2001 valuation for "Future Indexing", the actuarial liability for unfunded pension benefits is estimated to be $5,351,288 at March 31, 2003 (2002 - $5,116,572).

10. Real Estate Revenue

	Proceeds (000s)	Book Value (000s)	2003 (000s)	2002 (000s)
Sales to lessees	$ 277	$ 244	$ 33	$ 56
Sales by public tender	336	273	63	(38)
	$ 613	$ 517		
Net gain on sale of real estate			96	18
Lease revenue from real estate acquired in settlement of loans and from long-term leases			166	184
Other revenue			0	2
Interest revenue			3	15
			265	219
Less: Real estate carrying costs			26	31
			$ 239	$ 188

11. Contingent Liabilities

a) The corporation introduced the Guaranteed Operating Loan Program beginning April 1, 1983. The corporation guarantees each participating lending institution 12 1/2% of the respective total value of loans made under this program. As of March 31, 2003, the corporation's contingent liability amounted to $9,627,779 (2002 - $9,615,631). Based on management's best estimate of probable losses, the corporation has made a provision for this contingency in the amount of $1,083,176 (2002 - $1,977,450). The corporation adjusts the provision to the level regarded by management as appropriate through a current provision charged or credited to administration expenditure for the year.

b) The Manitoba Cattle Feeder Associations Loan Guarantee Program was introduced jointly by Manitoba Agriculture and Food and The Manitoba Agricultural Credit Corporation in November 1991. In September 1997, The Manitoba Agricultural Credit Corporation assumed responsibility for administration of the program. For each association, the corporation provides a guarantee to the lending institutions, based on 25% of the amount of the loan to a maximum guarantee of $1,250,000. As of March 31, 2003 the corporation's contingent liability amounted to $6,096,324 (2002 - $6,657,494). Based on management's best estimate of probable losses, a provision has been made for this contingency in the amount of $1,524,081 (2002 - $1,664,374).

11. Contingent Liabilities (continued)

c) The Diversification Loan Guarantee Program was introduced in December 1995, to provide guarantees on loans made by participating lenders, for diversification or farm value-added activities. As at March 31, 2003, the corporation's contingent liability under this program amounted to $16,701,431 (2002 - $17,785,514). Based on management's best estimate of probable losses on this program, the corporation has established a provision in the amount of $2,505,213 (2002 - $2,667,826).

d) The Enhanced Diversification Loan Guarantee Program (DLG+) was approved in 2001 eliminating lender pooling of guarantees and the maximum of $3,000,000 for qualifying loans. As at March 31, 2003, the corporation's contingent liability under the DLG+ program amounted to $28,889,337 (2002 - $10,595,163). Based on management's best estimate of probable losses on this program, the corporation has established a provision in the amount of $3,962,987 (2002 - $1,589,273).

e) The corporation has guaranteed performance bonds of certain agricultural marketing agencies in the amount of $250,270 (2002 - $248,422). No provision for this contingency has been made in the financial statements. Any payments arising from claims under these guarantees will be recorded as an expense in the period the claims occur.

f) As at March 31, 2003 the corporation had approved but not disbursed mortgages and other loans in the amount of $11,863,107 (2002 - $16,868,220).

12. Real Estate

Based on a review of its current real estate portfolio, the corporation has established a provision of $18,000 for 2003 (2002 - $37,735) to provide for future declines in real estate values. This provision represents management's best estimate of probable losses on sale of real estate.

	2003 (000s)	2002 (000s)
Real Estate	$ 1,539	$ 2,010
Provision for decline in real estate values	18	38
	$ 1,521	$ 1,972

13. Interest Paid and Received

During the year, the corporation received interest of $21,941,666 (2002 - $22,808,060) and paid interest of $20,215,876 (2002 - $20,265,985).

14. Related Party Transactions

The corporation is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The corporation enters into transactions with these entities in the normal course of business.

15. Revenue – Province of Manitoba

	2003 (000s)	2002 (000s)
Grant	$ 4,944	$ 4,233
Increase in long-term funding commitment	235	406
	$ 5,179	$ 4,639

16. Comparative Figures

Certain 2002 figures have been reclassified to conform to the 2003 financial statement presentation.

17. Economic Dependence

The corporation is economically dependent on the Province of Manitoba.

MAGNUS & BUFFIE
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Members of the Council
Manitoba Arts Council

We have audited the statement of financial position of Manitoba Arts Council as at March 31, 2003 and the statements of revenues, expenditures and changes in fund balances for year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2003 and the results of its operations and for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by another firm of Chartered Accountants.

Magnus & Buffie

May 16, 2003

CHARTERED ACCOUNTANTS

1810 - 444 St. Mary Avenue · Winnipeg, Manitoba · R3C 3T1 · Phone (204) 942-4441 · Fax (204) 944-0400

MANITOBA ARTS COUNCIL

Statement of Financial Position

As at March 31, 2003

	Grants & Programs Fund	Bridges Fund	2003 Total	2002 Total
ASSETS				
Current Assets				
Cash and short-term investments (note 3)	$945,436	$ -	$945,436	$1,541,885
Accrued interest income	25,980	-	25,980	27,485
Accounts receivable	73,937	-	73,937	46,559
Prepaid expenses	251,084	-	251,084	1,512
	1,296,437	-	1,296,437	1,617,441
Recoverable, Province of Manitoba (note 11)	36,000	-	36,000	36,000
Long term investment (note 4)	500,000	-	500,000	500,000
Musical instruments	104,796	-	104,796	104,796
Works of visual art	344,226	-	344,226	344,226
Capital assets (notes 5)	118,759	-	118,759	42,772
Interfund balances	(503,486)	503,486	-	-
TOTAL ASSETS	$1,896,732	$503,486	$2,400,218	$2,645,235
LIABILITIES AND FUND BALANCES				
Current Liabilities				
Accounts payable and accrued liabilities	142,418	-	142,418	160,780
Commitments for grants and programs	1,163,445	327,470	1,490,915	1,356,206
Deferred grant revenue (note 7)	20,000	175,400	195,400	483,980
	1,325,863	502,870	1,828,733	2,000,966
Investments in musical instruments and works of visual art	449,022	-	449,022	449,022
	1,774,885	502,870	2,277,755	2,449,988
Fund Balances				
Invested in capital assets	118,759	-	118,759	42,772
Unrestricted	3,088	616	3,704	152,475
	121,847	616	122,463	195,247
TOTAL LIABILITIES AND FUND BALANCES	$1,896,732	$503,486	$2,400,218	$2,645,235

The accompanying notes are an integral component of these financial statements.

MANITOBA ARTS COUNCIL

Statement of Revenues and Expenditures

For the year ended March 31, 2003

	Grants & Programs Fund	Bridges Fund	2003 Total	2002 Total
REVENUES				
Province of Manitoba - Operating Grant (note 9)	$7,317,300	$ -	$7,317,300	$7,317,300
Province of Manitoba - Bridges Grant	-	1,178,580	1,178,580	746,020
Investment Income	81,564	-	81,564	114,562
Other	24,682	-	24,682	8,220
	7,423,546	1,178,580	8,602,126	8,186,102
EXPENDITURES				
ORGANIZATIONS				
Annual & Operating Grants				
Arts Training Schools	141,000	7,000	148,000	148,000
Arts Service Organizations	168,500	8,425	176,925	181,125
Dance Companies	885,000	43,750	928,750	928,750
Music Organizations	1,220,500	21,025	1,241,525	1,270,675
Theatre Companies	1,343,000	67,150	1,410,150	1,410,150
Visual Arts Organizations	591,500	29,575	621,075	631,575
Book Publishers	194,039	9,701	203,740	203,699
Periodical Publishers	201,000	10,050	211,050	211,050
Multidisciplinary Arts Organizations	80,000	4,000	84,000	47,250
	4,824,539	200,676	5,025,215	5,032,274
Management & Governance	-	15,000	15,000	76,020
Presentation Grants	216,208	-	216,208	234,827
	5,040,747	215,676	5,256,423	5,343,121
INDIVIDUALS				
Professional Development Grants	210,631	-	210,631	200,842
Creation and Production Grants	725,913	-	725,913	699,774
Aboriginal Arts	-	133,557	133,557	-
	936,544	133,557	1,070,101	900,616
ARTS DEVELOPMENT				
Residencies	237,705	20,000	257,705	249,101
Community Connections	-	70,872	70,872	-
Touring	224 802	-	224 802	192,427
Arts Stabilization	-	200,000	200,000	200,000
Arts Opportunities	115,740	-	115,740	101,275
Other	46 400	-	46 400	59,050
Arts Education Conference Grant	-	-	-	30,000
Award of Distinction	30,000	-	30,000	-
	654,647	290,872	945,519	831,853
	6,631,938	640,105	7,272,043	7,075,590
Arts Program Delivery Expenditures (Schedule)	639,059	102,387	741,446	684,021
	7,270,997	742,492	8,013,489	7,759,611
Administrative Expenditures (Schedule)	695,299	-	695,299	614,585
	7,966,296	742,492	8,708,788	8,374,196
Rescinded Commitments	(33,878)	-	(33,878)	(47,065)
Total expenditures	7,932,418	742,492	8,674,910	8,327,131
Excess Revenues (Expenditures) for the Year	$ (508,872)	$ 436,088	$ (72,784)	$(141,029)

The accompanying notes are an integral component of these financial statements.

MANITOBA ARTS COUNCIL

Statement of Changes in Fund Balances

For the year ended March 31, 2003

	Grants & Programs Fund	Bridges Fund	2003 Total	2002 Total
Fund Balances, Beginning of Year	$ 178,739	$ 16,508	$ 195,247	$ 336,276
Excess revenues (expenditures) for the year	(508,872)	436,088	(72,784)	(141,029)
Interfund transfer	451,980	(451,980)	-	-
Fund Balances, End of Year	$ 121,847	$ 616	$ 122,463	$ 195,247

The accompanying notes are an integral component of these financial statements.

MANITOBA ARTS COUNCIL

Notes to Financial Statements

For the year ended March 31, 2003

1. Authority & Purpose

The Arts Council Act established the Manitoba Arts Council in 1965 to " . . . promote the study, enjoyment, production and performance of works in the arts." The Council is a registered charity (public foundation) and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles within the framework of the accounting policies summarized in these notes to the financial statements.

(b) Fund Accounting

The financial statements disclose the activities of the following funds maintained by the Council:

(i) Grants & Programs Fund

This fund reflects the disbursement and administration of grants and programs in the spirit of the aims and objects of Council defined in The Arts Council Act.

(ii) Bridges Fund

This fund was established in June 1999 to generate new initiatives in art development and practice, enhance public access to the arts and enhance administrative and governance skills for arts organizations. As well, the program will encourage new partnerships, provide more opportunities for professional development and assist in audience development. The excess of revenues over expenditures, if any, is transferred to the Grants & Programs Fund at an amount determined by the Council to fulfill similar goals and objectives.

(c) Revenue Recognition

The Council follows the deferral method of accounting for revenues. Unrestricted revenues are recognized as revenue in the appropriate fund when received or receivable. Restricted revenues are recognized as revenue in the fiscal year in which related expenses are incurred.

(d) Grant Commitments

Grants and programs are reflected as expenditures when funding is formally approved and committed by Council. Cancellations of prior years' grant expenditures are reflected as rescinded grant commitments.

(e) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis based on the estimated useful lives of the assets as follows:

Office furniture and equipment	10 years
Computer hardware and software	3 years

(f) Investments

Investments are recorded at cost.

(g) Musical instruments and works of visual art

Musical instruments and works of visual art are shown on the Balance Sheet as assets at cost with an offsetting credit to investments in musical instruments and works of visual art.

(h) Financial Instruments

The Council's financial instruments consist of cash, receivables, investments, accounts payable and accrued liabilities and unpaid commitments. Unless otherwise noted, it is management's opinion carrying value of these instruments approximates their fair value and that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. Cash and short term Investments

Cash and short term investments consists of cash $79,237 (2002 - $90,705) and short term invesrments totaling $866,199 (2002 - $1,451,180). The short term investments mature between April 2003 and June 2003 with yields ranging from 2.9% to 3.1%.

4. Long Term Investments

The long term investments consists of a $500,000 (2002 - $500,000) Royal Bank Senior Deposit Note, yeilding 6.05% due May 26, 2003 and extendable to May 26, 2010. The approximate fair value of the note is $527,000 (2002 - $516,000).

5. Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture and equipment	$ 103,785	$ 18,458	$ 85,327	$ 1,926
Computer hardware and software	251,150	217,718	33,432	40,846
	$354,935	$ 236,176	$ 118,759	$42,772

6. Works of Visual Art

The Manitoba Arts Council moved selected works from the Visual Art Bank to the Art Gallery of Southwestern Manitoba. The Manitoba Foundation for the Arts awarded a grant to the Manitoba Arts Council to provide to the Art Gallery of Southwestern Manitoba for the care, storage and exhibition of those works. An art bank loan agreement between the Council and the Art Gallery of Southwestern Manitoba will end June 30, 2003.

7. Deferred Grant Revenue

Deferred revenue comprises unexpended funds targeted as follows:

	2003		2002	
	Grants & Programs	Bridges	Grants & Programs	Bridges
Community Connections	$ -	$ 30,000	$ -	$100,000
Management & Governance	5,000	-	5,000	23,980
Aboriginal Arts	-	10,400	-	144,000
Arts Education Initiative	-	20,000	-	50,000
Artists-in-the-Community		115,000	-	145,000
Website Development	-	-	-	16,000
Ethnocultural Project	15,000	-	-	-
	$20,000	$175,400	$5,000	$478,980

8. Lease Commitment

Council has entered into an agreement to lease office premises until March 31, 2012 with basic annual rent of $93,624. Expenses arising from an escalation clause for taxes, insurance, utilities and building maintenance are in addition to the basic rent.

9. Funding Agreement

The funding agreement with the Province of Manitoba establishes the terms and conditions of funding for five years ended March 31, 2000. During the term of the agreement, Council was entitled to retain proceeds up to $1,000,000 from the Province of Manitoba. Any proceeds retained in excess of $1,000,000, except for proceeds exempted in the funding agreement, would have been repaid to the Province of Manitoba on demand. In accordance with this Agreement, there were no proceeds repayable to the Province. As at March 31, 2003, the Council was in discussions with the Province regarding the terms of a new funding agreement.

10. Pension Plan

Eligible employees are participants in the Manitoba Civil Service Superannuation Fund. The Council participates on a fully funded basis and its contributions of $12,015 (2002 - $10,326) represent the total obligations for the year.

11. Severence Liability

Effective March 31, 1999, the Manitoba Arts Council, as a Crown organization, is required to record severance liability. The Province of Manitoba has recognized an opening liability of $36,000 as at April 1, 1998. Any subsequent changes to the severance liaibility will be the responsibility of Council. As at March 31, 2003, Council recorded a liability of $55,857 (2002 - $50,500). This liability is included in accounts payable and accured liabilities.

12. Special Grants

During the year, the Council received a $200,000 special grant from the Province of Manitoba under the agreement that the Council would provide a special grant of $200,000 to the Winnipeg Symphony Orchestra. The grant received from the Province and grant provided to the Winnipeg Symphony Orchestra have been excluded from the statement of revenues and expenditures.

13. Statement of Cash Flows

A statement of cash flow is not presented as part of the financial statements as Council has determined that cash flow information is readily determinable from the other financial statements.

14. Economic Dependence

A substantial portion of the Council's total revenue is derived from the Province of Manitoba in the form of an operating grant.

15. Comparative Amounts

The comparative amounts presented in the financial statements have been reclassified to conform to the current year's presentation.

MANITOBA ARTS COUNCIL

Schedule of Administrative Expenditures

For the year ended March 31, 2003

	Grants & Programs Fund 2003 Total	 2002 Total
Salaries and benefits	$411,221	$367,894
Council meetings	71,583	87,985
Amortization (note 13)	46,352	34,946
Rent	64,436	30,083
Postage, courier and telephone	24,477	20,524
Office supplies, printing and stationery	19,190	18,954
Staff travel and expenses	18,866	14,691
Professional fees	6,395	22,625
Equipment repairs and maintenance	3,076	3,484
Insurance & sundry	7,203	5,899
Total Administrative Expenditures	$672,799	$607,085
Other Adminstrative Expenditures		
Art Bank Administration	$ 22,500	$ 7,500
	$695,299	$614,585

MANITOBA ARTS COUNCIL

Schedule of Arts Program Delivery Expenditures

For the year ended March 31, 2003

	Grants & Programs Fund	Bridges Fund	2003 Total	2002 Total
Salaries and benefits	$373,404	$67,155	$440,559	$448,634
Jurors' fees and expenses	71,870	6,500	78,370	74,031
Communication	45,940	2,198	48,138	39,047
Community consultations	3,596	9,267	12,863	14,502
Rent	51,545	6,290	57,835	39,691
Postage, courier and telephone	6,983	1,545	8,528	8,187
Professional fees	73,083	-	73,083	5,100
Office supplies	3,907	53	3,960	3,062
Staff travel and expenses	8,731	9,379	18,110	37,767
Website development	-	-	-	14,000
	$639,059	$102,387	$741,446	$684,021

AUDIT REPORT

To the Board of Commissioners of
Manitoba Boxing Commission

We have audited the balance sheet of Manitoba Boxing Commission as at March 31, 2003, the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The organization derives revenue from commissions, licences and permits, the complteness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of the revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to these revenues, excess of revenue over expense, assets ans surplus.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceeding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

December 16, 2003
Winnipeg, Canada

KWB

MANITOBA BOXING COMMISSION
BALANCE SHEET
March 31, 2003

ASSETS

	2003	2002
Current Assets		
Cash	$ 6,376	$ 3,810
Accounts receivable	3,403	844
Prepaid expenses	350	-
	10,129	4,654

LIABILITIES

	2003	2002
Current Liabilities		
Accounts payable and accrued liabilities	$ 15,206	$ 6,181
Performance bonds	2,000	1,000
	17,206	7,181

DEFICIENCY

	2003	2002
(Net Assets (Deficiency)	(7,077)	(2,527)
	(7,077)	(2,527)
	$ 10,129	$ 4,654

MANITOBA BOXING COMMISSION
STATEMENT OF (EXCESS OF EXPENSES OVER REVENUES)
Year ended March 31, 2003

	2003	2002
Revenue		
Commissions, licences and permits	$ 6,747	$ 6,552
Grant - Province of Manitoba	29,100	29,100
Other income	16	35
	35,863	35,687
Expenses		
Administration	14,400	14,400
Bad debts	-	1,965
Card expenses	1,452	-
Honoraria	4,700	3,300
Conferences	9,358	3,250
Dues and subscriptions	350	300
Card inspection fees	4,900	4,200
Office expense	320	605
Officials development	-	1,511
Professional fees	3,709	5,223
Promotion	1,224	2,040
	40,413	36,794
Net income (loss)	$ (4,550)	$ (1,107)

MANITOBA BOXING COMMISSION
STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2003

Invested in Capital Assets	Unrestricted	Internally Restricted	Invested in Capital Assets	2003	2002
Balance, beginning of the year	(2,527)	-	-	$ (2,527)	$ (1,420)
Excess of revenue over expenses	-	(4,550)	-	(4,550)	(1,107)
Balance, end of year	(2,527)	(4,550)	-	$ (7,077)	$ (2,527)

MANITOBA BOXING COMMISSION
CASH FLOWS
Year ended March 31, 2003

	2003	2002
From operating activities		
Cash receipts from customers	$ 33,305	$ 35,374
Cash paid to suppliers and employees	(30,739)	(32,622)
	2,566	2,752
Cash increase	2,566	2,752
Cash, beginning of year	3,810	1,058
Cash, end of year	$ 6,376	$ 3,810

MANITOBA BOXING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2003

1 Nature of Operations

The Manitoba Boxing Commission is a commission, pursuant to the boxing commission act, Cap. B80, C.C.S.M., of the Province of Manitoba. The purpose of the organization is to regulate professional boxing matches in the Province of Manitoba in accordance with regulations as set down in the Act

2 Significant Accounting Policies

Theses financial statements have been prepared in accordance with generally accepted accounting policies for not-for-profit organizations

3 Economic Dependence

The Commission is economically dependent on the Province of Manitoba which provides funding through an annual grant

Management Report

The accompanying financial statements of the Manitoba Centennial Centre Corporation are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. These principles have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to May 16, 2003.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Manitoba Centennial Centre Corporation are properly safeguarded.

The responsibility of the Office of the Auditor General is to express an independent, professional opinion on whether the financial statements of the Manitoba Centennial Centre Corporation are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Bob Sochasky, CMA, FCMA
Executive Director

Laura Proulx, CMA
Director of Finance & Administration

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Centennial Centre Corporation

We have audited the statement of financial position of The Manitoba Centennial Centre Corporation as at March 31, 2003 and the statement of operations and surplus - general fund, the statement of cash flows – general fund and the statement of capital projects for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 16, 2003

MANITOBA CENTENNIAL CENTRE CORPORATION
STATEMENT OF FINANCIAL POSITION
As at March 31, 2003

ASSETS

	2003	2002
GENERAL FUND		
Current Assets		
Cash and bank	$ 278,188	$ 77,671
Term deposits - Province of Manitoba	174,068	170,190
Accounts receivable (Note 12)	117,779	290,535
Capital grants recoverable - Province of Manitoba	-	550,258
Inventory	25,228	18,883
Prepaid expenses	27,283	19,138
	622,546	1,126,675
Non-Current Assets		
Accounts receivable - Pension -Province of Manitoba (Note 6)	4,448,000	4,043,500
Accounts receivable - Vacation - Province of Manitoba (Note 5)	199,964	199,964
Accounts receivable - Severance - Province of Manitoba (Note 4)	307,561	307,561
	4,955,525	4,551,025
Total Assets	5,578,071	5,677,700
RESTRICTED FUNDS (note 7)		
Current Assets		
The Maitland Steinkopf Youth Fund		
Term deposit - Province of Manitoba	65,200	66,348
The Manitoba Centennial Foundation of the Future Fund		
Term deposit - Province of Manitoba	54,795	53,445
	119,995	119,793
	$ 5,698,066	$ 5,797,493

LIABILITIES AND FUNDS RETAINED

	2003	2002
GENERAL FUND		
Current Liabilities		
Accounts payable and accrued liabilities	$ 457,974	$ 622,550
Accrued vacation liability (Note 5)	182,944	180,099
Capital advances (Note 8)	16,244	183,793
Deferred income and rental deposits	9,117	14,700
	666,279	1,001,142
Non-Current Liabilities		
Pension liability (Note 6)	4,448,000	4,043,500
Accrued severance pay (Note 4)	338,238	337,721
Provision for deductible costs on insurance claims (Note 9)	15,000	15,000
	4,801,238	4,396,221
Total Liabilities	5,467,517	5,397,363
Surplus	110,554	280,337
	5,578,071	5,677,700
RESTRICTED FUNDS (Note 7)		
Funds Retained		
The Maitland Steinkopf Youth Fund	65,200	66,348
The Manitoba Centennial Foundation of the Future Fund	54,795	53,445
	119,995	119,793
	$ 5,698,066	$ 5,797,493

Commitments (Note 8)

Approved on Behalf of the Board

Director

Judith Kean.
Director

The accompanying notes are an integral component of these financial statements

MANITOBA CENTENNIAL CENTRE CORPORATION
STATEMENT OF OPERATIONS AND SURPLUS - GENERAL FUND
For the year ended March 31, 2003

	2003	2002
Revenues		
Rentals		
Concert Hall	$ 443,832	$ 482,250
Sustaining fees	156,159	154,554
Office space	36,392	30,427
Bar and concession sales	197,228	223,521
Administration fees	23,499	22,000
Parking fees	543,163	495,130
Checkroom fees	13,264	13,134
Program income	9,868	10,751
Investment income	4,377	3,469
Miscellaneous income	19,854	16,637
	1,447,636	1,451,873
Province of Manitoba grants		
Operating	2,691,500	2,691,500
Special grants	-	-
Pension (Note 6)	404,500	216,900
	3,096,000	2,908,400
Recoveries of expenditures	173,761	167,346
Total revenues, grant and recoveries	4,717,397	4,527,619
Expenditures		
Administration and general (Note 12)	778,491	538,284
Bar and concession operations	118,405	131,502
Building services and maintenance	1,208,833	1,069,921
Host services and special projects	201,535	200,734
Parking services	214,824	305,538
Pension (Note 6)	404,500	216,900
Security services	373,445	372,531
Stage operations	260,067	271,128
	3,560,100	3,106,538
Expenditures incurred on behalf of the Manitoba Museum of Man and Nature (Note 10)	1,327,080	1,366,207
Total expenditures - per schedule	4,887,180	4,472,745
(Deficiency) excess of expenditures over revenues	(169,783)	54,874
Surplus, beginning of year	280,337	225,463
Surplus, end of year	$ 110,554	$ 280,337

The accompanying notes are an integral component of these financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION
STATEMENT OF CASH FLOWS - GENERAL FUND
For the year ended March 31, 2003

	2003	2002
Cash provided by (used for)		
Cash flows from operating activities		
(Deficiency) excess of revenues over expenditures	$ (169,783)	$ 54,874
Changes in non-cash working capital items		
Accounts receivable (Note 12)	172,756	17,292
Operating grant receivable	-	167,400
Inventory	(6,345)	(1,641)
Prepaid expenses	(8,145)	(3,989)
Accounts payable and accrued liabilities	(319,812)	(129,960)
Deferred income and rental deposits	(5,583)	(45,164)
Accrued vacation liability	2,845	(2,769)
Accrued severance pay	517	4,647
	(333,550)	60,690
Cash flows from investing and financing activities		
Capital grants - Province of Manitoba	1,186,310	991,487
Capital expenditures	(648,365)	(979,418)
	537,945	12,069
Increase in cash and cash equivalents during the year	204,395	72,759
Cash and cash equivalents, beginning of year	247,861	175,102
Cash and cash equivalents, end of year	$ 452,256	$ 247,861
Represented by:		
Cash and bank	$ 278,188	$ 77,671
Term deposits - Province of Manitoba	174,068	170,190
	$ 452,256	$ 247,861

The accompanying notes are an integral component of these financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION
STATEMENT OF CAPITAL PROJECTS
For the year ended March 31, 2003

	2003	2002
Capital Expenditures		
Building envelope - Museum	$ 350,000	$ 30,162
CCTV System	-	22,353
Chilled Water	203,310	742,297
Concert Hall washrooms	125,571	1,165
Concert Hall refurbishment	8,810	82,530
Courtyard stairs and fountain	-	6,538
Electrical/mechanical maintenance	6,043	17,019
Equipment and furnishings	25,093	138,593
Exterior lighting	-	5,597
Hardware/keys/doors	4,293	2,519
H.V.A.C. upgrade	-	25,941
Lamp & fixture retrofit	-	15,064
Landscaping	-	1,967
Parking Development	100	10,600
Parking Lots	4,758	7,140
Roof	5,029	49,309
Stage lighting	13,375	9,426
Stage and rigging	17,842	48,779
Stage sound	-	44,135
Systems motor controls	38,350	51,389
Tenant Improvements	1,027	-
	803,601	1,312,523
Capital grants - Province of Manitoba		
Received during the year	(636,052)	(944,103)
Advances for next year	16,244	183,793
Advances from previous year	(183,793)	(1,955)
Recoverable	$ -	$ 550,258

MANITOBA CENTENNIAL CENTRE CORPORATION
SCHEDULE OF EXPENDITURES
For the year ended March 31, 2003

	2003	2002
Administration and general		
Salaries and employee benefits	$ 408,474	$ 388,761
Insurance	63,227	36,393
Telephone and fax	17,910	17,320
Audit and legal	12,284	17,443
Other	39,516	31,936
Payroll service	8,499	8,381
Bad debts (Note 12)	336,582	133,945
Health and post secondary education tax levy	44,118	44,096
	930,610	678,275
Bar and concession operations		
Salaries and employee benefits	47,842	50,180
Cost of beverages sold	67,984	78,881
Other	2,579	2,441
	118,405	131,502
Building services and maintenance		
Salaries and employee benefits	1,162,980	1,084,333
Light, power and water	465,770	490,830
Heat	438,606	375,889
Repairs, maintenance and supplies	108,824	94,574
Other	156,517	199,274
	2,332,697	2,244,900
Host services and special projects		
Salaries and employee benefits	190,332	182,134
Other	11,203	18,600
	201,535	200,734
Parking services		
Salaries and employee benefits	112,889	104,553
Agency fees and expenditures	99,018	196,723
Other	2,917	4,262
	214,824	305,538
Pension (Note 6)	404,500	216,900
Security Services		
Salaries and employee benefits	417,991	406,945
Other	6,551	16,823
	424,542	423,768
Stage operations		
Salaries and employee benefits	234,196	243,045
Repairs, supplies and equipment	25,871	28,083
	260,067	271,128
Total Expenditures	4,887,180	4,472,745
Less: Expenditures incurred on behalf of the Manitoba Museum of Man and Nature (Note 10)	1,327,080	1,366,207
Net Expenditures	$ 3,560,100	$ 3,106,538

The accompanying notes are an integral component of these financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31,2003

1. Nature of the Corporation's Operations

The Centennial Centre Corporation was established in 1968 for the development and management of the permanent arts centre in the City of Winnipeg as the principal memorial in the Province to the centennial anniversaries of the Confederation of Canada and the inclusion of Manitoba as a Province. Its aim and objectives are to maintain and enhance the properties and facilities available to organizations and individuals involved in various elements of the visual and performing arts.

2. Properties of the Centre

The Corporation oversees the properties of the Centre on behalf of the Province of Manitoba. At March 31, 2003 registered titles to these properties, being the Concert Hall, parkade, parking lots and other buildings, are held by the Province of Manitoba. These properties are made available at no direct charge to the Corporation. Costs incurred by the Province of Manitoba are accounted for by the Centre in the Statement of Capital Projects.

3. Accounting Policies

(a) The Corporation's financial statements have been prepared on a fund basis, using Canadian generally accepted accounting principles. The general fund is used to account for the operations of the Centre. The restricted funds, which are the Maitland Steinkopf Youth Fund and the Manitoba Centennial Foundation of the Future Fund, are described in note 7.

(b) Pension payments are recognized as operating expenditures as payments are made under provisions of The Manitoba Civil Service Superannuation Act. The provisions of this Act require the Corporation to contribute 50% of the pension payments being made to retired employees. In addition, a provision has been recorded in the accounts of the Corporation for current and past service obligations to the Civil Service Superannuation Fund.

(c) Investments are recorded at cost plus accrued interest.

(d) Inventory is valued at the lower of cost, using the first in first out method, and net realizable value.

(e) In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

4. Severance Pay Benefits

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees. The amount of this estimated liability is determined using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 23 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Corporation's employees. Accordingly, the Corporation recorded, effective April 1, 1998, a receivable of $307,561 from the Province of Manitoba, which is an amount that is equal to the estimated liability for accumulated severance pay benefits at March 31, 1998.

5. Vacation Pay Liability

In years prior to 2001, the Corporation recorded the estimated liability and the related expenditure for accumulated vacation pay benefits to its employees. In 2001, the Corporation was advised by the Province of Manitoba that the Province has accepted responsibility for the vacation pay liability accumulated to March 31, 1995 which amounts to $199,964. Accordingly, the Corporation recorded, in 2001, a receivable of $199,964 from the Province of Manitoba with retroactive restatement of prior periods. This receivable from the Province of Manitoba has no terms of repayment.

6. Pension Liability

The Corporation records the actuarial pension liability and the related pension expenditure in their financial statements. Based on an actuarial report dated December 31, 2001, the unfunded liability for the Corporation's employees, calculated on an indexed basis, amounted to $4,448,000 as at March 31, 2003 (2002 - $4,043,500). For the year ended March 31, 2003, the Corporation recorded a pension liability of $4,448,000 (2002 - $4,043,500) and the related pension expenditure of $404,500 (2002 - $216,900).

Since the Province of Manitoba is responsible for the pension liability and the related expenditure, the Corporation has recorded an amount receivable from Province of Manitoba of $4,448,000 (2002 - $4,043,500) and the related revenue of $404,500 (2002 - $216,900). This receivable from the Province of Manitoba has no terms of repayment.

7. Restricted Funds

Restricted Funds established and managed by the Corporation are as follows:

(a) The Maitland Steinkopf Youth Fund

In 1972, the Corporation established the Maitland Steinkopf Youth Fund with an original allocation of $25,000. The major purpose of this fund is to promote cultural opportunities for Manitoba youths at reasonable costs.

Summary of Transactions

	2003	2002
Investment income	$ 1,677	$ 2,228
Grant expenditures	2,825	2,425
Grant expenditures over investment income	(1,148)	(197)
Funds retained, beginning of year	66,348	66,545
Funds retained, end of year	$ 65,200	$ 66,348

(b) The Manitoba Centennial Foundation of the Future Fund

In 1969, the Corporation established the Foundation of the Future Fund in recognition of Manitoba's centennial year. The terms of the Foundation's establishment provide that the Board of Directors of the Foundation will be composed of children born on six special dates in the year 1970. Based on the number of children born on these dates, the Corporation allocated $3,050 to the Fund.

Summary of Transactions

	2003	2002
Investment income	$ 1,350	$ 1,795
Grant expenditures	0	300
Grant expenditures under investment income	1,350	1,495
Funds retained, beginning of year	53,445	51,950
Funds retained, end of year	$ 54,795	$ 53,445

The Board of Directors of the Foundation have decided funds will be used toward an annual bursary program for those pursuing careers in the Arts. In addition, a plaque will be located in the Concert Hall recognizing the Centennial Babies and the recipients of the bursary awards.

8. Capital Advances and Commitments

The Corporation has no contractual commitments at the end of 2003 (2002 - $207,703) to complete capital improvements.

Capital funds in the amount of $16,244 (2002 - $183,793) were drawn in advance on projects awarded, but not completed by March 31, 2003.

9. Provision for Deductible Costs on Insurance Claims

The insurance program of the Corporation contains a deductible clause requiring the Corporation to pay the first $5,000 on any claim with a maximum of $15,000 in any one year. The Corporation has set aside a provision of $15,000 and, as long as the conditions of the insurance coverage are unchanged, it will be maintained at this level.

10. Grant of Service

The Manitoba Centennial Centre Corporation incurs expenditures such as cleaning, utilities and maintenance on behalf of the Manitoba Museum of Man and Nature. These expenditures amount to $1,327,080 for the year ending March 31, 2003 (2002 - $1,366,207)

11. Financial Instruments

The Corporation's financial instruments consist of cash, term deposits, accounts receivable and accounts payable. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

12. Accounts Receivable and Bad Debts

The Corporation has an account receivable at March 31, 2003 from the Winnipeg Symphony Orchestra in the amount of $334,330. The Winnipeg Symphony Orchestra is experiencing financial difficulties and is currently unable to meet its current obligations to its creditors. Although the Corporation's management is making every effort to collect this receivable and anticipates that the receivable will be collected, the timing of that collection is uncertain. As a result of the uncertainty related to the Winnipeg Symphony Orchestra's financial situation, the Corporation has recorded an allowance for doubtful accounts in the amount of $334,330.

13. Economic Dependence

The Corporation is economically dependent on funding received from the Province of Manitoba.

Deloitte & Touche LLP
360 Main Street, Suite 2300
Winnipeg, Manitoba R3C 3Z3
Canada

Tel: (204) 942 0051
Fax: (204) 947 9390
www.deloitte.ca

Deloitte
& Touche

AUDITORS' REPORT

To the Members of
Manitoba Community Services Council Inc.

We have audited the balance sheet of Manitoba Community Services Council Inc. as at March 31, 2003 and the statements of financial activities and changes in net assets for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

Winnipeg, Manitoba
May 1, 2003

MANITOBA COMMUNITY SERVICES COUNCIL INC.

Balance Sheet

March 31, 2003

	2003	2002
ASSETS		
CURRENT		
Cash	$ 367,390	$ 115,152
Accounts receivable (Note 3)	20,515	186,258
Prepaid expenses	4,922	4,845
Current portion of long-term deposit receipts (Note 5)	211,932	118,262
	604,759	424,517
CAPITAL ASSETS (Note 4)	23,544	30,990
LONG-TERM DEPOSIT RECEIPTS (Note 5)	364,393	433,395
	$ 992,696	$ 888,902
LIABILITIES		
CURRENT		
Allocations not yet paid	$ 641,634	$ 502,255
CONTINGENCY (Note 9)		
NET ASSETS		
Net assets invested in capital assets	23,544	30,990
Funds for future allocation	327,518	355,657
	351,062	386,647
	$ 992,696	$ 888,902

MANITOBA COMMUNITY SERVICES COUNCIL INC.
Statement of Changes in Net Assets
Year Ended March 31, 2003

	Invested in Capital Assets	Funds for Future Allocation	**Total 2003**	Total 2002
BALANCE, BEGINNING OF YEAR	$ 30,990	$ 355,657	**$ 386,647**	$ 342,045
(DEFICIENCY) EXCESS OF REVENUE OVER ALLOCATIONS AND EXPENSES	(9,071)	(26,514)	**(35,585)**	44,602
INVESTED IN CAPITAL ASSETS	1,625	(1,625)	**-**	-
BALANCE, END OF YEAR	$ 23,544	$ 327,518	**$ 351,062**	$ 386,647

MANITOBA COMMUNITY SERVICES COUNCIL INC.

Statement of Financial Activities

Year Ended March 31, 2003

	2003	2002
REVENUE		
Provincial funding (Note 6)	$ 1,980,000	$ 1,980,000
Interest	34,941	43,916
Allocations recovered	31,178	15,000
	2,046,119	2,038,916
ALLOCATIONS AND EXPENSES		
Accommodation and services	32,424	31,619
Administrative expenses - Schedule 1	31,048	42,136
Grant allocations - Schedule 2	1,813,150	1,706,734
Amortization	9,071	18,939
Office and computer supplies	9,038	12,290
Salaries and benefits	186,973	182,596
	2,081,704	1,994,314
(DEFICIENCY) EXCESS OF REVENUE OVER ALLOCATIONS AND EXPENSES	$ (35,585)	$ 44,602

1. INCORPORATION

Manitoba Community Services Council Inc. (Council) was incorporated under The Corporations Act of Manitoba on March 13, 1990 without share capital, created for the purpose of distributing bingo events and provincial funds to non-profit community organizations on behalf of the Province of Manitoba.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) *Statement of cash flows*

A statement of cash flows has not been presented since information concerning changes in financial position is evident from the financial statements presented.

b) *Long-term deposit receipts*

Long-term deposit receipts are carried at cost.

c) *Capital assets*

Capital asset acquisitions are capitalized in the year of purchase at values equal to cost. Amortization is provided for on a straight-line basis at rates specified in Note 4.

d) *Financial instruments*

Financial risk
The financial risk is the risk to the Council's earnings that arises from fluctuations in interest rates and the degree of volatility of those rates. The Council does not use derivative instruments to reduce its exposure to interest rates.

Credit risk
Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Council. The Council limits credit risk by investing in investees that are considered to be high quality credits and by utilizing an internal investment policy.

Fair value
The fair value of cash, accounts receivable, long-term deposit receipts, allocations not yet paid approximate their carrying value due to their short-term maturity.

3. ACCOUNTS RECEIVABLE

	2003	2002
Interest receivable	$ 16,021	$ 14,546
G.S.T. refund	3,870	6,712
Provincial funding receivable	-	165,000
	$ 20,515	$ 186,258

4. CAPITAL ASSETS

	2003			2002	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates
Leasehold improvements	$ 7,762	$ 4,658	$ 3,104	$ 4,656	Lease Term
Furniture, fixtures and equipment	22,517	11,087	11,430	14,491	20%
Computer equipment	51,519	42,509	9,010	11,843	30%
	$ 81,798	$ 58,254	$ 23,544	$ 30,990	

5. LONG-TERM DEPOSIT RECEIPTS

	2003	2002
9% Ontario Hydro Bond, maturing June 24, 2002	$ -	$ 100,000
5.40% Royal Bank of Canada Bond, maturing April 7, 2003	81,615	81,615
8.75% Province of Ontario Bond, maturing April 22, 2003	17,578	17,578
5.8% Export Development Corp, maturing September 15, 2003	106,702	106,702
5.5% Manitoba Hydro Bond, maturing June 15, 2004	200,000	200,000
2.5% Manitoba Hydro Bond, maturing June 15, 2006	27,500	27,500
Royal Canadian Treasury Bill Fund	6,037	18,262
4.1% Bank of Montreal GIC, maturing July 25, 2005	136,893	-
	576,325	551,657
Less current portion	211,932	118,262
	$ 364,393	$ 433,395

The market value of long-term deposit receipts held at March 31, 2003 was $ 591,927 (2002- $569,540).

6. PROVINCIAL FUNDING

Effective April 1, 1995, Manitoba Community Services Council Inc. renewed its five year agreement with the Province of Manitoba under which it will receive a share of the revenues of the Manitoba Lotteries Corporation to March 31, 2000. This revenue is to be used for distribution to not-for-profit community service organizations and Council's operating expenses. The renewal of this agreement is presently under discussion.

7. COMMITMENT

The Council has leased realty pursuant to a lease agreement, until March 31, 2005. Under the terms of the lease, the Council is responsible for base rent and its proportionate share of property taxes and operating costs of the building.

The minimum lease payments for the next two years are as follows:

2004	$ 11,576
2005	11,576

8. BINGO HALL EARNINGS

The Council allocates a certain number of bingo events to various organizations that it funds. Numerous community service organizations earned a total of $836,100 (2002 - $840,600) through participation in bingo events.

The funds received from bingos are paid directly by the Manitoba Lotteries Corporation to the above organizations. These funds are not reflected on the statement of financial activities.

9. PENSION PLAN AND CONTINGENCY

The employees of the Council participate in the United Way Agencies Pension Plan, a multi-employer defined benefit pension plan. This plan, to which the Council contributed $5,745 (2002 - $5,977), is accounted for as a defined contribution plan.

An actuarial valuation has indicated that a funding deficiency exists in the plan as at December 31, 2002. The amount of any liability that may be attributable to the Council cannot be reasonably estimated at this time and accordingly, no provision has been made in the financial statements for the Council's share of the deficiency. Any liability that may be attributable to the Council will be accounted for as a charge to operations in the year in which the amount becomes determinable.

Schedule 1

MANITOBA COMMUNITY SERVICES COUNCIL INC.

Administrative Expenses

Year Ended March 31, 2003

	2003	2002
Bank charges	$ 659	$ 578
Courier	1,370	906
Meeting costs and volunteer travel	13,772	23,459
Miscellaneous office costs	5,371	4,312
Postage	948	1,170
Professional fees	3,092	3,098
Telephone	5,836	8,613
	$ 31,048	$ 42,136

Schedule 2

MANITOBA COMMUNITY SERVICES COUNCIL INC.
Grant Allocations
Year Ended March 31, 2003

2000 and Counting/Older and Wiser	$ 3,000.00
Access Point West – Hope Centre Inc.	$15,000.00
African Canadian Disability Community Association	$10,000.00
Afro-Caribbean Association of Manitoba	$ 4,000.00
Alexander School Playground Committee	$ 3,750.00
Alzheimer Society of Manitoba	$10,000.00
Angus McKay Nursery School Inc.	$ 1,000.00
Arborg & District Multicultural Heritage Village	$11,000.00
Arborg Bifrost Parks & Recreation	$ 6,000.00
Arborg Playgroup	$ 5,000.00
Arden Ladies Auxiliary	$ 5,500.00
Army, Navy, Air Force Veterans #13 – Portage La Prairie	$10,000.00
Art City	$15,000.00
Gallery of Southwestern Manitoba	$10,000.00
Association for Community Living – Virden	$ 7,500.00
Athlone Community Playground	$ 2,000.00
Baldur School Parent Advisory Council	$ 2,000.00
Beauchemin Park Place Resident's Association	$ 2,000.00
Beaumont Day Care Centre	$14,000.00
Beausejour Brokenhead Sportsplex	$20,000.00
Beausejour Curling Club	$ 1,500.00
Beauserve Homes	$ 5,000.00
Belmont & District Community Club	$ 5,000.00
Bibliotheque Somerset Library	$ 8,000.00
Binscarth Drop-In Centre	$ 2,000.00
Binscarth Park & Pool Committee	$ 4,000.00
Birdtail Fitness Club Co-op	$ 4,000.00
Boissevain Music Boosters	$ 3,000.00
Boissevain Playground Equipment Fund/Fun for All	$12,000.00
Brandon Aboriginal Wellness Centre	$13,000.00
Brandon Citizens Advocacy	$ 5,000.00
Brandon Elks Lodge #14	$ 2,000.00
Brandon Parent/Child Toy Lending Library	$ 1,500.00
Brookdale Elementary School Parent Council	$ 4,000.00
Camp Hakeber	$ 2,000.00
Canadian Mental Health Association Central	$ 8,000.00
Canadian Porphyria Foundation	$10,000.00
Carman Arena Project	$12,000.00
Carpathia School Parent Advisory Council	$ 6,000.00
Cartwright Centennial Auditorium	$ 3,000.00
	$267,750.00

Schedule 2

MANITOBA COMMUNITY SERVICES COUNCIL INC.

Grant Allocations

Year Ended March 31, 2003

Cartwright Community Centre	$ 9,000.00
Cartwright Town & Country Golf Club	$ 3,000.00
Champlain School Parent Council	$ 9,000.00
Charleswood Curling Club	$10,000.00
Chatfield Community Club	$ 2,000.00
Child Find Manitoba	$11,000.00
Churchill High School Band Parent Association	$ 1,000.00
Clanwilliam Curling Club	$ 1,500.00
Club Vive la Joie Seniors	$ 2,000.00
Comite de Parents de L'Ecole Noel Ritchot	$ 7,500.00
Commonwealth Air Training Plan Museum	$15,000.00
Compassionate Friends of South Western Manitoba	$ 3,000.00
Cornish Child Care Centre	$ 2,000.00
Crestview Park Day Nursery	$ 3,000.00
Crisis Pregnancy Centre - Brandon	$ 3,000.00
Crystal City Community Printing Museum	$ 3,000.00
Cypress River Lodge Inc.	$ 1,600.00
Cypress River Multi-Purpose Community Centre	$ 2,400.00
Cypress River Seniors Centre	$ 2,200.00
Dafoe Family Support Centre	$10,000.00
Daily Discovery Inc.	$ 4,000.00
Darwin Pre-Kindergarten Inc.	$ 800.00
Dauphin Friendship Centre	$15,000.00
Day Nursery Centre	$ 1,000.00
Deerwood Parent Advisory Council, Thompson	$15,000.00
Discovery Children's Centre	$40,000.00
Domain Home & School Association	$ 3,500.00
Dominion City Mom's Club	$ 5,000.00
Dufferin School Parent Council	$15,000.00
Earthshare	$ 6,000.00
Eastman Senior Citizens Council	$ 1,500.00
Ecole J.B. Mitchell School Parent Council	$ 9,000.00
Ecole Robert H. Smith School Parent Council	$ 9,000.00
Ecole St. Adolphe School Parent Council	$ 2,000.00
Ecole St. Eustache Parent Advisory Council	$ 1,000.00
Ecole Tuxedo Park Parent Council	$ 7,000.00
Elm Creek Parent Advisory Council	$ 6,000.00
Emerson Elementary School Advisory Council	$ 8,000.00
Eriksdale Nursery School Co-op Inc.	$ 1,500.00
Esther House	$ 8,000.00
	$259,500.00

Schedule 2

MANITOBA COMMUNITY SERVICES COUNCIL INC.
Grant Allocations
Year Ended March 31, 2003

Fort Garry Women's Resource Centre	$ 7,000.00
Fort Whyte Centre	$ 1,000.00
Gauvin Street Park Residents' Group	$ 4,000.00
Gillis School Parent Advisory Council	$ 2,000.00
Gimli Seniors' Resource Council Inc.	$10,000.00
Golden Gate Band Parents Association	$ 1,000.00
Golden Leisure Club	$ 3,000.00
Grafton Place Guest Home	$ 8,000.00
Grandview Residential Services	$12,000.00
Green Kids Inc.	$ 4,000.00
Gunton Greenwood Memorial Hall	$ 4,000.00
Hands of Hope	$20,000.00
Heritage School Parent Council	$ 2,000.00
Holland Park Committee	$ 6,000.00
Hope Healthcare Centre Inc.	$15,000.00
Interlake Swim Association	$ 5,000.00
Inwood Sports Club	$ 7,000.00
Jolys Regional Library	$ 5,000.00
Kenville Memorial Hall	$ 8,000.00
Kids Inc./River West School Parent Council	$ 9,000.00
Killarney Elderly Persons Housing	$ 4,000.00
Killarney Kiddie Korner	$15,000.00
Klinic Community Health Centre	$ 9,000.00
L'Arche Winnipeg Inc.	$20,000.00
L'Entre Temps des Franco - Manitobaines	$ 3,000.00
La Petite Ecole Preschool	$ 500.00
Lac du Bonnet Senior School Parent Council	$ 2,500.00
Lac du Bonnet Wellness Group	$ 1,000.00
Laurel Centre	$10,000.00
Lawrence Recreation Commission	$ 3,500.00
Les Chouettes de Lorette Inc.	$ 1,000.00
Letellier Parks Board	$ 3,000.00
Linden Lanes Playground Committee	$ 7,000.00
Lord Selkirk Boy Scout Pipe Band	$ 2,500.00
Lord Wolseley Playground Structure Committee	$ 5,000.00
Lorne Community Handivan	$10,000.00
Lourdeon Community Development Corporation	$10,000.00
Lt. Col. Barker V.C. School Parent Council	$ 2,150.00
Manitoba Agricultural Museum	$20,000.00
Manitoba Opera	$ 4,000.00
	$266,150.00

Schedule 2

MANITOBA COMMUNITY SERVICES COUNCIL INC.

Grant Allocations

Year Ended March 31, 2003

Manitoba Printmakers' Association	$ 9,000.00
Manitoba Schizophrenia Society – Winnipeg	$10,000.00
Manitoba Society for Seniors Inc.	$10,000.00
Manitou Public Library	$ 3,000.00
Matheson Island Community Council	$15,000.00
McClure Place Tenants Association	$ 1,000.00
McCreary & District Handivan	$12,000.00
McCreary/Alonsa Personal Care Home	$ 5,000.00
Meadow Portage Community Council	$30,000.00
Melita Golf Club	$ 4,000.00
Melita School Parent Council	$ 7,000.00
Miami Community Centre Arena	$12,000.00
Mid-West Arts Council	$10,000.00
Miniota Golf Club	$ 6,000.00
Mood Disorders Association of Manitoba – Winnipeg	$ 9,000.00
Moosehorn Senior Centre	$ 9,000.00
Napinka Drop-in Centre	$ 9,000.00
Narol Children's Centre	$10,000.00
Native Women's Transition Centre	$20,000.00
Ndinawemaaganag-Endaawaad Inc.	$30,000.00
Neepawa Golf and Country Club	$ 5,000.00
Norquay School Parent Advisory Group	$12,000.00
North End Women's Centre	$ 5,000.00
North West Regional Library	$10,000.00
North Winnipeg Nomads Football Club	$15,000.00
Oakbank Kids Korner Cooperative	$ 1,000.00
Obsessive/Compulsive Information & Support Centre	$ 5,000.00
Opaskwayak Cree Nation – Big Eddy Youth Centre	$30,000.00
Open Access Resource Centre	$15,000.00
Osborne Village Cultural Centre/Gas Station Theatre	$ 5,000.00
Osteoporosis Society of Canada – Manitoba Chapter	$ 8,000.00
Parkland Regional Library	$ 6,000.00
Patricia Beach Community Club Inc.	$ 3,000.00
Pelican Rapids Community Council	$ 8,000.00
Pembina Community Resource Council/Pembina Manitou Health	$ 3,000.00
Peter Pan Club	$ 5,000.00
Pilot Mound Housing Corporation	$25,000.00
Pilot Mound Millennium Recreation Complex	$15,000.00
Piney Community Resource Council	$ 3,000.00
Plumas Elementary School Parent Advisory Council	$ 6,000.00
	$406,000.00

MANITOBA COMMUNITY SERVICES COUNCIL INC.
Grant Allocations
Year ended March 31, 2003

Prairie Players Inc.	$ 2,000.00
Prairie Theatre Exchange	$ 8,000.00
Pregnancy Distress Family Support Services Inc.	$ 8,000.00
Preserving the Past for the Future - Isabella	$12,500.00
Reaching E-Quality Employment Services	$15,000.00
Red River Valley Parent-Child Centre	$ 2,000.00
Rehabilitation Centre for Children	$30,000.00
Rennie Community Club	$ 1,000.00
Reston Golf Course	$ 8,000.00
River East Collegiate Musical Arts Parents Association	$ 4,000.00
Riverdale Place Workshop	$15,000.00
Riverton Day Care Cooperative	$ 8,500.00
Roblin & District Community Help Centre	$ 3,000.00
Rock Lake Handivan Service	$15,000.00
Rosenort Community Centre Inc.	$ 7,000.00
Ross Community Centre	$ 2,000.00
Royal Canadian Air Cadets #158 Fisher Branch	$ 7,000.00
Royal Canadian Air Cadets #179 Squadron - Clearwater	$ 4,000.00
Royalwood Neighbourhood Association	$ 2,000.00
Russell Leisure Centre	$ 6,000.00
Russell Recreation Centre	$ 450.00
Sara Riel Inc.	$ 2,000.00
Selkirk Day Care	$ 3,000.00
Seniors Rendezvous, Ile des Chenes	$ 2,000.00
Shoal Lake Community Handivan Service	$15,000.00
Small Endeavours Day Care	$10,000.00
Snow Lake Centre on Family Violence	$15,000.00
Souris & Glenwood Golf Course	$14,000.00
Souris B.P.O. Elks No. 21	$ 8,000.00
Souris Cardinals Baseball Club	$ 9,000.00
South Central Regional Library	$ 8,000.00
South Interlake 55 Plus Inc.	$ 1,500.00
Southwood Parent Teachers Association	$ 3,000.00
Sperling Arena Rink Board	$15,000.00
Sprucedale Industries	$15,000.00
St. Alphonse Recreation Board	$ 6,000.00
St. Claude and Haywood Arena	$ 6,000.00
St. George Parenting Centre	$ 3,000.00
St. James Assiniboia Minor Baseball	$ 2,000.00
St. James/Assiniboia Seniors Centre Inc.	$ 4,000.00
	$301,950.00

MANITOBA COMMUNITY SERVICES COUNCIL INC.
Grant Allocations
Year ended March 31, 2003

St. Jean Baptiste Parks & Recreation Association	$17,500.00
St. Joseph Museum	$10,000.00
Ste. Agathe Cultural & Community Centre	$10,000.00
Steinbach Golf Club Inc.	$ 8,000.00
Stonewall Centennial School Parent Advisory Council	$ 9,000.00
Stoney Point Beach Committee	$ 4,000.00
Stroke Recovery Association of Manitoba	$ 6,000.00
Swan Lake Seniors Citizens Home Inc.	$ 6,500.00
Swan River & District Community Resource	$ 4,000.00
Tanners Crossing School Parent Council	$12,000.00
Teulon-Rockwood Centennial Centre	$ 3,000.00
Teulon-Rockwood Green Acres Park	$ 5,000.00
The Horse Connection	$ 4,000.00
Thompson Citizenship Council	$15,000.00
Thompson Public Library	$10,000.00
Tiger Hills Community Resource Centre	$10,000.00
Tiny Turtle Playroom Inc.	$ 7,000.00
Treherne Collegiate Advisory Council	$ 3,000.00
Treherne Elementary School Advisory Council	$ 2,000.00
Turtle Mountain Flywheel Association	$ 6,000.00
Ukrainian National Home of Pansy	$ 5,000.00
Vermillion River Walking Trail	$ 8,000.00
Victoria Manor	$ 2,800.00
Virden Community Arts Council	$ 7,000.00
Virden Cricket	$ 4,500.00
Viscount Cultural Council	$ 3,000.00
Vita Curling Club	$ 5,000.00
Wapanohk Eastwood School Parent Council – Thompson	$15,000.00
Wawanesa Parent Advisory Council	$ 5,000.00
West Broadway Development Corporation	$ 5,000.00
West St. Paul Curling Club	$ 5,000.00
West St. Paul Recreation Commission	$ 1,500.00
Western Canada Aviation Museum	$15,000.00
Western Manitoba Women's Regional Resource Centre	$20,000.00
William S. Patterson Parent Council, Clandeboye	$ 1,000.00
Wings of Power – Pine Falls	$ 6,000.00
Winkler Day Care Centre	$ 7,000.00
Winnipeg Contemporary Dancers	$11,000.00
Winnipeg Film Group	$ 6,000.00
Woodlawn School Parent Council	$ 6,000.00
Woodydell Tenant Association	$ 9,000.00
Youth for Christ – Steinbach	$12,000.00
	$311,800.00
TOTAL 2003	$1,813,150.00

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Manitoba Crop Insurance Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report which it has prepared.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgements have been made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included herein. The Auditor General has access to the Board of Directors, with or without Management present, to discuss the results of their audit and the quality of financial reporting of the Corporation.

Hamilton

Neil Hamilton
General Manager

Jim Lewis

Jim Lewis
Director, Finance & Administration

June 26, 2003

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Manitoba Crop Insurance Corporation

We have audited the balance sheet of the Manitoba Crop Insurance Corporation as at March 31, 2003, the statement of operations and funds retained for the Crop Insurance program, the statement of operations and funds retained for the Hail Insurance program, the statement of cash flows and the statements of revenue and expenditure for the other agriculture related programs administered by the Corporation on behalf of the Government of the Province of Manitoba, being statements 1-3. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows, and the revenue and expenditure transactions of the programs administered by the Corporation on behalf of the Government of the Province of Manitoba, for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 26, 2003

BALANCE SHEET

as at March 31, 2003

	Crop Insurance Program	Hail Insurance Program	Other Programs (Note 4)	2003 Total	2002 Total
Assets					
Cash	$ 284,860	–	–	$ 284,860	$ 3,133,973
Short-term investments (Note 3(B))	279,188,220	17,291,091	–	296,479,311	285,874,330
Accounts receivable (Note 5)	6,383,251	564,497	107,761	7,055,509	6,799,869
Prepaid expenses	105,615	–	–	105,615	107,902
Interprogram receivable	–	7,094	390,605	397,699	3,606,519
	285,961,946	17,862,682	498,366	304,322,994	299,522,593
Capital assets (Note 6)	682,641	–	–	682,641	950,858
	$ 286,644,587	17,862,682	498,366	$ 305,005,635	$ 300,473,451
Liabilities and Funds Retained					
Reinsurance premiums payable	$ 4,476,822	246,454	–	$ 4,723,276	$ 1,175,272
Indemnities payable (Note 7)	5,826,142	35,067	278,854	6,140,063	2,661,379
Accounts payable and accrued liabilities	2,310,008	–	191,086	2,501,094	2,867,022
Interprogram payable	397,699	–	–	397,699	3,606,519
Excess of revenue over expenditure (Statement 1)	–	–	28,426	28,426	3,033,031
	13,010,671	281,521	498,366	13,790,558	13,343,223
Deferred revenue (Note 8)	682,641	–	–	682,641	950,858
Funds retained	272,951,275	17,581,161	–	290,532,436	286,179,370
	$ 286,644,587	17,862,682	498,366	$ 305,005,635	$ 300,473,451

APPROVED BY THE BOARD:

Walter w Kolinyk

Chairperson

Hazel Arndt.

Vice-Chairperson

CROP INSURANCE PROGRAM

STATEMENT OF OPERATIONS AND FUNDS RETAINED

for the year ended March 31, 2003

	2003	2002
Revenue:		
Premiums		
Insured producers	$ 26,055,997	$ 19,941,473
Government of Canada (Note 3(F))	35,676,195	29,356,699
Province of Manitoba (Note 3(F))	27,989,945	22,894,712
	89,722,137	72,192,884
Less premiums ceded (Note 9)		
Reinsurance Fund of Canada	448,611	360,964
Reinsurance Fund of Manitoba	448,611	360,964
Excess of loss reinsurance	14,009,824	6,731,557
	14,907,046	7,453,485
Net premiums	74,815,091	64,739,399
Interest	8,380,255	12,207,836
Total revenue	83,195,346	76,947,235
Expenditure:		
Indemnities	75,961,304	97,346,945
Doubtful accounts	60,940	33,144
Administrative expenses – Schedule 1	10,016,194	9,995,769
Administrative expenses recovered from		
Government of Canada (Note 3(G))	(3,842,641)	(4,090,444)
Province of Manitoba (Note 3(G))	(3,847,811)	(4,095,659)
Insured producers (Note 3(G))	(2,325,742)	(1,809,666)
Net expenditure	76,022,244	97,380,089
Income (loss) for the year	7,173,102	(20,432,854)
Funds retained, beginning of year	265,778,173	286,211,027
Funds retained, end of year	$ 272,951,275	$ 265,778,173

HAIL INSURANCE PROGRAM

STATEMENT OF OPERATIONS AND FUNDS RETAINED

for the year ended March 31, 2003

		2003		2002
Revenue:				
Premiums, net of discounts	$	9,686,869	$	7,131,002
Less premiums ceded for reinsurance (Note 10)		874,686		566,480
Net premiums		8,812,183		6,564,522
Interest and surcharges		624,800		899,449
Total revenue		9,436,983		7,463,971
Expenditure:				
Indemnities		10,567,991		6,324,512
Administrative expenses – Schedule 1		1,701,350		1,502,650
Doubtful accounts (recoveries)		(12,322)		(35,139)
Total expenditure		12,257,019		7,792,023
Income (loss) for the year		(2,820,036)		(328,052)
Funds retained, beginning of year		20,401,197		20,729,249
Funds retained, end of year	$	17,581,161	$	20,401,197

STATEMENT OF CASH FLOWS

for the year ended March 31, 2003

	Crop Insurance Program	Hail Insurance Program	**2003 Total**	**2002 Total**
Cash provided by (used for)				
Operating Activities:				
Income (loss) for the year				
Income (loss) before interest revenue	$ (1,207,153)	(3,444,836)	$ (4,651,989)	$ (33,868,191)
Interest revenue	8,380,255	624,800	9,005,055	13,107,285
	7,173,102	(2,820,036)	4,353,066	(20,760,906)
Items not involving cash				
Changes in allowance for doubtful accounts	(23,650)	(15,726)	(39,376)	(21,579)
Amortization of capital assets	335,751	–	335,751	397,011
Changes in:				
Accounts receivable	160,215	249,024	409,239	1,417,034
Interest receivable	(468,676)	(125,095)	(593,771)	4,982,568
Prepaid expenses	2,287	–	2,287	8,871
Interprogram receivable/payable	(2,969,932)	(126,538)	(3,096,470)	3,967,708
Reinsurance premiums payable	3,301,550	246,454	3,548,004	1,149,064
Indemnities payable	3,304,861	35,067	3,339,928	(349,007)
Accounts payable and accrued liabilities	112,561	–	112,561	(328,877)
Cash provided by (used for) operating activities	10,928,069	(2,556,850)	8,371,219	(9,538,113)
Investing Activities:				
Sale (purchase) of short-term investments	(40,284,617)	(4,895,449)	(45,180,066)	33,740,087
Purchase of capital assets	(67,535)	–	(67,535)	(165,025)
Cash provided by (used for) investing activities	(40,352,152)	(4,895,449)	(45,247,601)	33,575,062
Financing Activities:				
Deferred revenue	(268,217)	–	(268,217)	(231,986)
Cash used for financing activities	(268,217)	–	(268,217)	(231,986)
Net increase (decrease) in cash and short-term investments	(29,692,300)	(7,452,299)	(37,144,599)	23,804,963
Cash and cash equivalents, beginning of year	34,800,195	7,452,299	42,252,494	18,447,531
Cash and cash equivalents, end of year	$ 5,107,895	–	$ 5,107,895	$ 42,252,494
Cash and cash equivalents comprised of the following:				
Short-term investments	$ 279,188,220	17,291,091	$ 296,479,311	$ 285,594,730
Short-term investments with terms greater than 90 days	274,365,185	17,291,091	291,656,276	246,476,209
Short-term investments with terms of 90 days or less	4,823,035	–	4,823,035	39,118,521
Cash	284,860	–	284,860	3,133,973
	$ 5,107,895	–	$ 5,107,895	$ 42,252,494

Statement 1

REVENUE PROTECTION – GROSS REVENUE INSURANCE PLAN (NOTE 4(A))

STATEMENT OF REVENUE AND EXPENDITURE

for the year ended March 31, 2003

	2003	2002
Revenue:		
Interest	$ 1,117	$ 550,013
Expenditure:		
Indemnities, prior years	–	–
Doubtful accounts (recoveries)	(9,876)	(57,316)
Administrative expenses – Schedule 1	2,751	16,464
Administrative expenses recovered from		
Government of Canada	(1,375)	(8,232)
Province of Manitoba	(1,376)	(8,232)
Net expenditure (recoveries)	(9,876)	(57,316)
Excess of revenue over expenditure	10,993	607,329
Excess of revenue over expenditure, beginning of year	3,033,031	23,343,775
Refunds to participants, during the year	3,015,598	20,918,073
Excess of revenue over expenditure, end of year	$ 28,426	$ 3,033,031

Statement 2

WILDLIFE DAMAGE COMPENSATION PROGRAM (NOTE 4(B))

STATEMENT OF REVENUE AND EXPENDITURE

for the year ended March 31, 2003

	2003	2002
Revenue:		
Recovery of expenditures		
Government of Canada	$ 789,682	$ 598,198
Province of Manitoba	1,114,021	834,072
Total revenue	$ 1,903,703	$ 1,432,270
Expenditure:		
Indemnities	$ 1,621,691	$ 1,179,373
Administrative expenses		
Adjusters' wages, benefits and expenses	261,532	222,053
Audit fees and legal	5,177	14,001
Other administrative expenses	15,303	16,843
	282,012	252,897
Total expenditure	$ 1,903,703	$ 1,432,270

Statement 3

MANITOBA FARM DISASTER ASSISTANCE PROGRAM (NOTE 4(C))
CANADA-MANITOBA ADJUSTMENT PROGRAM (NOTE 4(C))
CANADA-MANITOBA ADJUSTMENT PROGRAM 2 (NOTE 4(C))

STATEMENT OF REVENUE AND EXPENDITURE

for the year ended March 31, 2003

	Manitoba Farm Disaster Assistance Program		Canada-Manitoba Adjustment Program		Canada-Manitoba Adjustment Program 2	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**
Revenue:						
Recovery (repayment) of expenditures						
Government of Canada	$ -	$ -	$ -	$ -	$ -	$ -
Province of Manitoba	(20,392)	4,017	-	-	-	-
Total recovery (repayment)	(20,392)	4,017	-	-	-	-
Interest	-	-	1,698	17,357	152	464,006
Total revenue (repayment)	$ (20,392)	$ 4,017	$ 1,698	$ 17,357	$ 152	$ 464,006
Expenditure:						
Program payments (recoveries)	$ -	$ -	$ -	$ (286,984)	$ -	$ 352,913
Doubtful accounts (recoveries)	(20,554)	(9,649)	6,276	5,465	(345)	345
Administrative expenses	162	13,666	-	332	(3,000)	16,565
Refund (recovery) of excess interest to (from) contributors	-	-	(4,578)	298,544	3,497	94,183
Total expenditure (recoveries)	$ (20,392)	$ 4,017	$ 1,698	$ 17,357	$ 152	$ 464,006

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

1. AUTHORITY

The Manitoba Crop Insurance Corporation was incorporated under a specific Statute of the Province of Manitoba, and operates under the authority of The Crop Insurance Act, Chapter C310 in the Continuing Consolidation of the Statutes of Manitoba.

2. BASIS OF REPORTING

The financial statements of the Corporation are in such form as prescribed by Section 13 of The Crop Insurance Act, and are presented in accordance with Canadian generally accepted accounting principles.

3. SIGNIFICANT ACCOUNTING POLICIES

(A) Programs

Under the provisions of its Act and regulations, the Corporation operates crop and hail insurance programs for Manitoba farmers.

The Corporation is also responsible for the administration of various agriculture related programs, including the Revenue Protection component of the Gross Revenue Insurance Plan and the Wildlife Damage Compensation Program, on behalf of the Government of Canada and the Province of Manitoba.

For financial accounting purposes, all programs are regarded as separate operations and are accounted for separately.

(B) Short-Term Investments

Short-term investments are carried at cost, which approximates market value. Funds available for short-term investment are invested with the Province of Manitoba, in accordance with Section 20(8) of The Crop Insurance Act.

(C) Capital Assets and Amortization

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Furniture and Equipment	10 years
Computer Hardware	4 years
Computer Software	4 years
Major Application Development	8 years
Leasehold Improvements	remaining term of the lease

(D) Pensions

Effective April 1, 1998, the Corporation began matching employees' current pension contributions to the Civil Service Superannuation Plan. As a matching employer, the Corporation discharges its pension liability on a current basis and, therefore, has no additional pension obligation.

(E) Vacation and Severance Pay

Employees of the Corporation are entitled to vacation and severance pay in accordance with the terms of the Collective Agreements and Corporation policy. The liability for vacation and severance pay is recorded based on the Corporation's best estimates.

(F) Premiums and Government Contributions

The Corporation recognizes as revenue all premiums earned on policies in force during the year. The insurance premium rates are calculated annually by crop and rating area and are based on a 25-year average of historical loss experience adjusted for the program's current level of benefits. Premium rates are adjusted annually to maintain adequate reserves over time. This is done to ensure the financial self-sustainability of the program.

Agreements between the Government of Canada and the Province of Manitoba provide for the cost sharing of the insurance premiums under the Crop Insurance Program. The insurance premiums for coverage of 50% of the insureds' probable yields are shared between the Government of Canada (60%) and the Province of Manitoba (40%) Premiums for insurance coverage above the 50% level are shared between the insured producers (50%), the Government of Canada (25%) and the Province of Manitoba (25%).

(G) Administrative Expenses

The agreement relating to the Crop Insurance Program, referred to in Section (F) of this note, stipulates that administrative expenses, net of any administrative revenues, will be shared equally by the Government of Canada and the Province of Manitoba. Administrative revenues include a per acre administrative fee shown as a recovery from insured producers. Administrative expenses relating to the Hail Insurance Program are recovered from the insureds.

Identifiable administrative expenses for all of the programs administered by the Corporation are charged directly to the specific program. Where direct charging of administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by the Corporation's Board of Directors.

(H) Use of Estimates

In preparing the Corporation's financial statements, Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(I) Financial Instruments

The Corporation's financial instruments consist of cash, accounts receivable, investments, and accounts payable. It is Management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

4. OTHER PROGRAMS

(A) Statement 1

Effective January 1991, the Corporation assumed responsibility for the administration of the agreement between the Government of Canada and the Province of Manitoba for the Revenue Protection component of the Gross Revenue Insurance Plan (GRIP) for crops produced in Manitoba.

For the year ended March 31, 1993 and subsequent years, the GRIP premiums were shared between insured producers (33.33%), the Government of Canada (41.67%), and the Province of Manitoba (25%).

The administrative expenses incurred by the Corporation to administer GRIP are shared equally by the Government of Canada and the Province of Manitoba.

The Government of Canada and the Province of Manitoba terminated GRIP at the end of the 1995 crop year. In 1997, $47,491,745 or 75% of the March 31, 1996 excess of revenue over expenditure was distributed to the participants according to their respective premium contributions. The balance was held, earning interest, until all outstanding issues relating to GRIP were finalized. A further $20,918,073 of the excess of revenue over expenditure was distributed to the participants in the year ended March 31, 2002.

In April 2002, $2,977,366, which represented the balance of the Government of Canada's share of the interest earned on the GRIP excess of revenue over expenditure, was distributed to the Food Development Centre in accordance with the Canada-Manitoba Agreement for the Retention of Interest. By June 30, 2002, the Government of Canada and the Province of Manitoba received $23,909 and $14,323, respectively, completing the final distribution of their remaining share of the excess of revenue over expenditure. Producer claim overpayments that are collected will be refunded to governments according to their respective premium contributions.

The March 31, 2003 excess of revenue over expenditure of $28,426, which represents the remaining producers' share, is being held pending a decision on its distribution for the benefit of Manitoba's producers.

(B) Statement 2

The Corporation administers the Wildlife Damage Compensation Program that was established to compensate producers for 100% of damaged agricultural crops, products and domestic livestock caused by big game, waterfowl or livestock predation. The Government of Canada contributes 40% of losses and 50% of administrative expenses. The Province of Manitoba contributes 60% of losses and 50% of administrative expenses.

(C) Statement 3

Manitoba Farm Disaster Assistance Program (MFDAP)

Commencing June 1999, the Corporation assumed responsibility for the administration of the Manitoba Farm Disaster Assistance Program (MFDAP). This program was introduced to help producers affected by the excess moisture conditions, which impaired seeding and damaged forage fields and pastures in the spring of 1999. The program covered unseeded land, forage restoration, hay production shortfall and custom seeding. Program funding of $70.2 million was provided by the Province of Manitoba.

Canada-Manitoba Adjustment Program (CMAP)

Effective March 2000, the Corporation assumed responsibility for the administration of the Canada-Manitoba Adjustment Program (CMAP) on behalf of the Government of Canada and the Province of Manitoba. This program provided producers of grains, oilseeds and special crops with a one-time payment to assist them as they adjusted to the elimination of transportation subsidies during a period of low prices.

Assistance of over $100 million was provided through this program. This amount, which includes administrative expenses, was cost shared by the Government of Canada (60%) and the Province of Manitoba (40%). The interest earned on invested funds was used partly to make additional payments to new producers, with the balance repaid to the Government of Canada and the Province of Manitoba according to the timing and amount of their respective contributions. With their concurrence, the Government of Canada's portion of the surplus interest of $247,151 was distributed directly to the Food Development Centre.

Canada-Manitoba Adjustment Program 2 (CMAP 2)

Effective March 2001, the Corporation assumed responsibility for the administration of the Canada-Manitoba Adjustment Program 2. This program was introduced to help Manitoba producers by lessening the impact of the farm income crisis in the grains, oilseeds and special crop sectors.

Assistance of over $92 million was provided through this program. This amount, which includes administrative expenses, was cost shared by the Government of Canada (60%) and the Province of Manitoba (40%). Interest earned on invested funds was used partly to make additional payments to producers, with the balance repaid to the Government of Canada and the Province of Manitoba according to their respective contributions. With their concurrence, the Government of Canada's portion of the surplus interest of $54,108 was distributed directly to the Food Development Centre.

5. ACCOUNTS RECEIVABLE

The accounts receivable as of March 31, 2003 consist of the following:

	March 31, 2003				March 31, 2002
	Crop Insurance Program	Hail Insurance Program	Other Programs	Total	Total
Insureds	$ 637,565	240,829	–	$ 878,394	$ 1,800,367
Government of Canada	865,202	–	107,761	972,963	637,757
Province of Manitoba	1,037,472	–	–	1,037,472	967,697
Accrued Interest	3,488,154	321,570	–	3,809,724	3,197,714
Other	354,858	2,098	–	356,956	196,334
	$ 6,383,251	564,497	107,761	$ 7,055,509	$ 6,799,869

6. CAPITAL ASSETS

	March 31, 2003			March 31, 2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and Equipment	$ 270,561	105,922	$ 164,639	$ 151,754
Computer Hardware	393,986	291,929	102,057	122,011
Computer Software	68,581	58,471	10,110	7,447
Major Application Development	2,907,418	2,594,471	312,947	543,913
Leasehold Improvements	297,560	204,672	92,888	125,733
	$ 3,938,106	3,255,465	$ 682,641	$ 950,858

7. INDEMNITIES PAYABLE

Indemnities payable for the Crop Insurance Program of $5,826,142 (2002 - $2,521,281) provide for indemnity payments relating to the 2002 crop year. This amount includes an estimate of $3,445,000 (2002 - $1,260,000), which represents the liability for unpaid claims and the loss of crop value due to the over-winter deterioration of unharvested crops.

Indemnities payable for Other Programs of $278,854 (2002 - $140,098) include a provision of $208,600 (2002 - $115,000) for the Wildlife Damage Compensation Program.

8. DEFERRED REVENUE

Deferred revenue represents administrative subsidies provided equally by the Government of Canada and the Province of Manitoba and is used to acquire capital assets. Deferred revenue is recognized as revenue when amortization is recorded on capital assets.

9. REINSURANCE – CROP INSURANCE PROGRAM

In accordance with the terms of a reinsurance agreement between the Government of Canada and the Province of Manitoba, the two levels of government maintain separate reinsurance accounts. The Corporation pays reinsurance premiums to the Crop Reinsurance Fund of Canada for Manitoba, and to the Crop Reinsurance Fund of Manitoba, based on premiums collected plus the matching contributions paid by the Government of Canada and the Province of Manitoba. When indemnities are in excess of the funds retained by the Corporation and certain other conditions are met, transfers are made from the Crop Reinsurance Fund accounts to the Corporation. Interest is neither credited nor charged to the Funds by the Government of Canada or the Province of Manitoba.

	Reinsurance Fund of Canada for Manitoba		Reinsurance Fund of Manitoba	
	2003	2002	2003	2002
Opening surplus (deficit)	$ (1,672,811)	$ (2,039,958)	$ 21,005,132	$ 20,637,985
Current year premium contributions (net) *	449,597	367,147	449,597	367,147
Closing surplus (deficit)	$ (1,223,214)	$ (1,672,811)	$ 21,454,729	$ 21,005,132

** Current year reinsurance premium contributions are shown net of an allowance for uncollectible accounts.*

The Corporation entered into a new one-year private reinsurance agreement for the Crop Insurance Program in addition to what is covered by the reinsurance agreement between the Government of Canada and Province of Manitoba. This agreement provided for 31 reinsuring companies to assume 90% of losses, including loss adjustment expenses, from 15% to 25% of the Crop Insurance coverage. Reinsurance premiums were $14,009,824 (2002 - $6,731,557). There were no reinsurance recoveries in 2003 (2002 - $nil).

10. REINSURANCE – HAIL INSURANCE PROGRAM

The Corporation entered into a new one-year reinsurance agreement for the Hail Insurance Program. This agreement provided for 14 reinsuring companies to assume hail insurance losses, including loss adjustment expenses, from 125% to 200% of gross premium. Reinsurance premiums were $874,686 (2002 - $566,480). There were no reinsurance recoveries in 2003 (2002 - $nil).

11. LEASE AGREEMENTS

The Corporation has entered into long-term lease agreements. The minimum payments under these leases are as follows:

Year Ending March 31st	Lease Agreements Amounts
2004	$ 541,543
2005	508,599
2006	442,697
2007	364,446
2008	157,677
	2,014,962
2009 and beyond	–
	$ 2,014,962

12. CONTINGENCIES

Various legal actions for additional indemnity payments and coverages have been commenced by producers against the Corporation. The outcome of these claims cannot be determined at this time.

13. ACTUARIAL REVIEW

An actuarial review of the 2002 Crop Insurance Program was completed by Tillinghast - Towers Perrin, consulting actuaries, in June 2003. The actuarial report concludes that the methodologies used by the Corporation in establishing the probable yields of the crops covered by the Program meet the requirements of the Federal Crop Insurance Regulations. The report also concludes that the premium rate methodologies are actuarially sound, are sufficient to meet expected claim costs, and include a provision for adverse deviations from expected results.

A comprehensive actuarial review is completed every five years with any new programs or program changes being reviewed annually.

14. RELATED – PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Province of Manitoba-created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

Interest earned on investments held with the Province of Manitoba amounted to $8.9 million (2002 - $14.0 million). Included in accounts receivable (Note 5) is $3.8 million (2002 - $3.2 million) of accrued interest related to investments held with the Province of Manitoba.

Schedule 1

SCHEDULE OF ADMINISTRATIVE EXPENSES

for the year ended March 31, 2003

	2003	2002
Adjusters' wages, benefits and expenses	$ 3,582,883	$ 3,224,765
Advertising	101,540	113,437
Amortization expense	335,751	397,011
Appeal Tribunal	15,801	16,804
Audit fees and legal	161,613	114,350
Directors' remuneration and expenses	65,261	59,331
Furniture and equipment	42,859	46,679
Information technology	428,365	426,251
Office rental and utilities	591,933	555,353
Other administrative expenses	276,161	283,972
Other administrative recoveries	(174,177)	(138,622)
Postage	113,878	118,616
Printing, stationery and office supplies	168,607	182,648
Salaries and employee benefits	5,557,427	5,665,818
Telephone	133,282	129,057
Travel and automobile expenses	319,111	319,413
Total administrative expenses	$ 11,720,295	$ 11,514,883
Administrative expenses allocated to:		
Crop Insurance Program	$ 10,016,194	$ 9,995,769
Gross Revenue Insurance Plan	2,751	16,464
Hail Insurance Program	1,701,350	1,502,650
Total administrative expenses	$ 11,720,295	$ 11,514,883

Manitoba

Manitoba Development Corporation
555-155 Carlton Street
Phone: 204-945-0141
Fax: 204-945-1193

Winnipeg Manitoba, CANADA
R3C 3H8

June 3, 2003

THE MANITOBA DEVELOPMENT CORPORATION
MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the generally accepted accounting principles. The statements are examined byBDO Dunwoody LLP, Chartered Accountants, whose opinion is included herein.

To fulfil this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions and that appropriate policies and procedures are established and respected.

BDO Dunwoody LLP have free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting to the Board.

James R. Kilgour, C.A.
General Manager

Jack Dalgliesh
Jack Dalgliesh
Secretary-Treasurer

BDO

BDO Dunwoody LLP
Chartered Accountants
and Consultants
www.bdo.ca

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone (204) 956-7200
Telefax (204) 926-7201

Auditors' Report

To the Shareholder of
Manitoba Development Corporation

We have audited the balance sheet of **Manitoba Development Corporation** as at March 31, 2003 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for the year ended March 31, 2002 were reported on by other auditors.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 3, 2003

Manitoba Development Corporation
Balance Sheet

March 31	2003	2002
Assets		
Current Assets		
Cash	$ 377,693	$ 409,519
Term deposits - Province of Manitoba	3,155,959	3,073,166
Accounts receivable - other	58,521	2,599
	3,592,173	3,485,284
Assets managed for the Province of Manitoba under Part II		
Cash on hand held in trust	631,683	1,077,087
Loans receivable (Note 2)	64,692,218	59,798,379
Equity investments (Note 3)	4,946,202	5,378,135
	70,270,103	66,253,601
	$ 73,862,276	$ 69,738,885
Liabilities and Shareholder's Equity		
Current Liabilities		
Accounts payable - Part I	$ 258,557	$ 227,554
Funds Provided by the Province of Manitoba under Part II	70,270,103	66,253,601
	70,528,660	66,481,155
Commitments (Note 4)		
Shareholder's Equity		
Share capital - authorized and issued 100 shares at $10 per share	1,000	1,000
Retained earnings	3,332,616	3,256,730
	3,333,616	3,257,730
	$ 73,862,276	$ 69,738,885

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Manitoba Development Corporation
Statement of Operations and Retained Earnings

For the year ended March 31	2003	2002
Income from part I		
Interest	$ 125,447	$ 149,075
Expenses under Part I		
Administration	49,561	55,269
Pension benefit costs	-	15,147
	49,561	70,416
	75,886	78,659
Income from Part II		
Interest - loans receivable	3,668,883	2,099,043
Pro-rata share of partnership earnings	270,426	2,543,043
Recovery of Part II expenses from the Province of Manitoba		
Gain on investment disposition	161,986	-
Decrease in allowance for forgiveness	3,521,436	1,688,111
Decrease in provision in doubtful accounts	6,616,161	131,264
Decrease in provision for decline in value of investments	384,408	1,465,006
	14,623,300	7,926,467
Expenses under Part II		
Gain on investment disposition	161,986	-
Increase in allowance for loan forgiveness	3,521,436	1,688,111
Increase in allowance for doubtful accounts	6,616,161	131,264
Increase in provision for decline in value of investments	384,408	1,465,006
Repayment of Part II interest on loans receivable to the Province of Manitoba	3,668,883	2,099,043
Provision for repayment of pro-rata share of partnership earnings	270,426	2,543,043
	14,623,300	7,926,467
	-	-
Net income for the year	75,886	78,659
Retained earnings, beginning of year	3,256,730	3,178,071
Retained earnings, end of year	$ 3,332,616	$ 3,256,730

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Manitoba Development Corporation
Statement of Cash Flows

For the year ended March 31	2003	2002
Provided by (used in) Part I Activities		
Cash Flows from Operating Activities		
Net income for the year	$ 75,886	$ 78,659
Changes in non-cash working capital balances		
Accounts receivable - other	(55,922)	65,079
Accounts payable	31,003	27,860
Accrued pension liabilities	-	(538,995)
Net cash flow from Part I activities	50,967	(367,397)
Provided by (used in) Part II Activities		
Cash Flows from Investing Activities		
Loans Receivable		
Principal repayments	15,588,409	11,841,060
Loans issued	(26,594,019)	(27,090,993)
Increase in accrued interest receivable	(39,548)	(641,168)
	(11,045,158)	(15,891,101)
Equity Investments		
Investments made	(1,482,723)	(3,647,011)
Redemptions	768,413	32,913
Gain on disposition	(161,986)	-
	(876,296)	(3,614,098)
	(11,921,454)	(19,505,199)
Increase (decrease) in cash on hand held in trust	445,404	(760,387)
Funds provided by the Province of Manitoba	11,476,050	20,265,586
Net cash flow from Part II activities	-	-
Net increase (decrease) in Cash and cash equivalents	50,967	(367,397)
Cash and cash equivalents, beginning of year	3,482,685	3,850,082
Cash and cash equivalents, end of year	$ 3,533,652	$ 3,482,685
Represented by		
Cash on hand	$ 377,693	$ 409,519
Term deposits - Province of Manitoba	3,155,959	3,073,166
	$ 3,533,652	$ 3,482,685

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

1. Nature of Operations and Economic Dependence

The Manitoba Development Corporation (The Corporation) provides loans and guarantees under Part I and Part II of the Development Corporation Act. The activities under Part I and Part II are accounted for separately. Part I activities are undertaken at the initiative of the Corporation, while Part II activities are at the direction of the Province of Manitoba.

The Corporation's lending operations under Part I were suspended effective November 15, 1977 except at the direction of the Province of Manitoba. The Corporation's lending and investment operations under Part II continue under the direction of the Province of Manitoba. The Province provides all financing for these initiatives and ultimately bears all costs, including any exposure for these financial assets to interest rate fluctuations, changes to their fair value or credit risk relating to the realization of these assets.

2. Loans receivable managed for the Province of Manitoba under Part II

	2003	2002
Business support		
Manitoba Industrial Opportunities Program		
- Repayable	$ 72,015,565	$ 49,549,829
- Forgivable	9,012,647	12,088,747
Manufacturing Adaptation Program	4,660	11,524
Canada - Manitoba Economic Development Partnership	461,542	221,680
	81,494,414	61,871,780
Other loans receivable		
Canada/Manitoba Tourism Agreement - Forgivable	-	75,000
Vision capital Fund	10,965,876	29,017,659
Crocus Foods (1996) Limited	-	370,337
Manitoba Film and Sound	193,595	293,106
Related to sale of Linnet Geomatics International Inc.	-	247,863
Elmwood Cemetery	75,000	75,000
International Education Incentive Loan	22,400	-
	11,256,871	30,078,965
	92,751,285	91,950,745
Less: Allowance for forgiveness	9,012,647	12,163,747
Allowance for doubtful accounts	19,046,420	19,988,619
	28,059,067	32,152,366
	$ 64,692,218	$ 59,798,379

2. Loans receivable managed for the Province of Manitoba under Part II (Continued)

The Manitoba Industrial Opportunities Program provides flexible repayable financing to encourage companies to expand or locate in Manitoba. The loans have maturities as follows:

	2003	2002
Less then one year	$ 2,709,863	$ 426,756
1 - 2 years	4,008,669	4,075,000
2 - 5 years	23,472,364	20,929,411
Greater then 5 years	41,824,669	24,118,662
	72,015,565	49,549,829
Allowance	(8,075,890)	(5,751,475)
	$ 63,939,675	$ 43,798,354

Interest rates charged for Manitoba Industrial Opportunities loans are tied in each case to the Corporation's cost of borrowing from the Province of Manitoba. This is referred to as the crown rate. The crown rate is an approximation of the Province's cost of borrowing and is adjusted on a regular basis throughout the year depending upon the Province's fluctuating costs of borrowing as reflected by market conditions. The interest rate charged on a Manitoba Industrial Opportunities loan is tied to the crown rate at the time of the first disbursement of the loan proceeds to the debtor and does not vary based on any subsequent changes to the crown rate. In certain cases, the Corporation charges interest rates which are less than crown rate to encourage investment and job creation in Manitoba. In other cases, the Corporation charges rates in excess of the crown rate to reflect risk conditions. Interest rates charged on loans are as follows:

	2003	2002
Crown rate plus up to 3%	$ 26,056,690	$ 21,936,329
Crown rate	23,501,292	13,020,987
Crown rate less, 0 - 1%	7,950,000	442,665
Crown rate less 1 - 2%	9,267,387	9,564,891
Crown rate less 3 - 6%	3,921,275	2,069,341
Crown rate less, greater than 6%	1,318,921	2,515,617
	72,015,565	49,549,830
Allowance	(8,075,890)	(5,751,476)
	$ 63,939,675	$ 43,798,354

Current interest rates range from nil to 8.625%.

When possible, the Corporation obtains various forms of security on the Manitoba Industrial Opportunities loans with priority ranking subject to any prior existing charges.

Loan financing to the Vision Capital Fund assisted the Fund to make equity investments in Manitoba-based small and medium sized businesses. Per the terms of the agreement, the Vision loan no longer bears interest. As the Fund liquidates their remaining investments, any proceeds which the Corporation receives, per the terms of the agreement, will be applied to the loan balance.

The Corporation also manages a number of other loans/loan programs on behalf of the Province of Manitoba.

3. Equity investments managed for the Province of Manitoba under Part II

	2003	2002
Share capital investments		
Common shares of Crocus Foods (1996) Limited	$ -	$ 75
Class C preferred shares of C.A.R.E. Corp.	39,570	267,370
Faneul ISG Inc.	1	1
	39,571	267,446
Less: Allowance for forgiveness of shares	39,571	267,446
	-	-
Limited Partnership Investments		
Vision Capital Fund	-	768,413
Manitoba Capital Fund	4,363,200	4,363,200
Manitoba Science and Technology Fund	1,375,429	1,242,706
Renaissance Capital Fund	3,000,000	2,500,000
Western Life Sciences Venture Fund LLP	1,350,000	500,000
	10,088,629	9,374,319
Less: Provision for decline in value of investments	6,908,813	6,032,996
Pro-rata share of partnership earnings	(1,766,386)	(2,036,812)
	5,142,427	3,996,184
	$ 4,946,202	$ 5,378,135

The corporation holds 39,570 (2002 - 267,370) Class C non-voting preferred shares of C.A.R.E. Corp. The preferred shares are cancellable on an annual basis at the rate of $10,000 for every job held at C.A.R.E. Corp., commencing February 1999. During the year, the Corporation cancelled 227,800 of these shares (2002 - 209,800). Consistent with the treatment of other similar share capital investments managed for the Province of Manitoba under Part II, an allowance for forgiveness of shares has been taken to fully provide for the amount of the investment at the time of acquisition.

3. Equity investments managed for the Province of Manitoba under Part II (Continued)

On January 17, 2002, Faneuil ISG Inc. was purchased by 3863620 Canada Limited. As a result of this transaction, the Province agreed to convert its existing investment into 11,000,000 preference shares of 3863620 Canada Limited, with scheduled redemption dates as follows:

Year 1	$ Nil
Year 2	Nil
Year 3	Nil
Year 4	Nil
Year 5	2,000,000
Year 6	2,000,000
Year 7	6,400,000*

*(net of $600,000 in legal fees)

The investment in preference shares has been recorded in the books of the Corporation at a nominal value of $1. Any funds received upon redemption of the preference shares will accordingly result in the recognition of an equal amount of income at that time.

4. Contingent liability and commitments

Commitments and undisbursed balances of approved loans under Part II:

	2003	2002
Manitoba Industrial Opportunities Program	$ 36,781,073	$ 29,819,900
Canada - Manitoba Economic Development Partnership	38,458	278,320
Manitoba Science & Technology Fund	1,124,570	1,251,294
Renaissance Fund	-	500,000
Vision Capital Fund	-	181,014
Manitoba Capital Fund	636,800	636,800
Western Life Sciences Venture Fund LLP	3,650,000	4,500,000
	$ 42,230,901	$ 37,167,328

5. Financial Instruments

The carrying amounts of Part I financial assets and liabilities are a reasonable estimate of the fair value because of the short maturity of those instruments. The carrying amount of Part II financial assets and liabilities approximate their fair value. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

The financial risk is the risk to the Corporation's Part I earnings that arise from fluctuations in interest rates and degree of volatility of these rates.

All financial instruments are denominated in Canadian dollars.

The Corporation does not participate in derivative financial instrument trading.

MNP
MEYERS NORRIS PENNY LLP

To the Board of Directors
Manitoba Film and Sound Recording Development Corporation

AUDITORS' REPORT

We have audited the balance sheet of Manitoba Film and Sound Recording Development Corporation as at March 31, 2003 and the statements of revenues and expenditures and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

April 25, 2003

Chartered Accountants

an independent member of
BAKER TILLY
INTERNATIONAL

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
500 - 1661 PORTAGE AVE., WINNIPEG, MB R3J 3T7
PH. (204) 775-4531 FAX (204) 783-8329 www.mnp.ca

MANITOBA FILM AND SOUND RECORDING DEVELOPMENT CORPORATION

BALANCE SHEET
MARCH 31, 2003

	2003	2002
ASSETS		
CURRENT		
Cash (Note 3)	$ 814,695	$ 830,523
Notes receivable (Note 4)	193,595	239,318
Funding receivable	300,000	1,100,000
Accounts receivable and accrued interest	14,436	22,374
Prepaid expenses	14,644	12,795
Inventory	3,200	10,376
	1,340,570	2,215,386
NOTES RECEIVABLE (Note 4)	-	65,950
CAPITAL ASSETS (Note 5)	79,658	84,552
	$1,420,228	$2,365,888
LIABILITIES		
CURRENT		
Accounts payable	$ 53,053	$ 65,728
Deferred revenue (Note 6)	551,132	519,858
Carry-over commitments (Note 7)	486,683	1,318,205
Current portion of long-term debt (Note 8)	193,595	239,318
	1,284,463	2,143,109
LONG-TERM DEBT (Note 8)	-	53,788
	1,284,463	2,196,897
FORWARD COMMITMENTS (Note 9)		
NET ASSETS (Note 10)		
Net assets invested in capital assets	79,658	84,552
Net assets unrestricted	56,107	84,439
	135,765	168,991
	$1,420,228	$2,365,888

MANITOBA FILM AND SOUND RECORDING DEVELOPMENT CORPORATION

STATEMENT OF REVENUES AND EXPENDITURES AND NET ASSETS
YEAR ENDED MARCH 31, 2003

	2003	2002
REVENUES		
Province of Manitoba funding	$2,352,626	$3,384,042
Interest income	29,766	38,535
Program recoupments	185,282	121,253
Industry contribution	-	11,642
	2,567,674	3,555,472
EXPENDITURES		
Film and Television Programs Funding:		
Film Development Financing Program	85,700	123,570
Film Production Financing Program	1,254,600	2,152,113
Access to Markets Program	17,500	24,702
Access to Festivals Program	4,310	-
Low Budget Feature Film Development Financing Program	42,200	31,785
Emerging Talent Matching Funds Program	18,000	10,000
Feature Film Completion Funding Program	-	68,134
Interest expense	12,387	11,603
	1,434,697	2,421,907
Sound Programs Funding:		
Sound Recording Production Fund	104,906	84,250
Demo Recording Fund	25,287	25,860
Music Video Fund	12,500	19,000
Record Product Marketing Support Program	22,500	23,925
Recording Artist Touring Support Program	42,312	27,113
Professional Development Program	(628)	43,463
Tour Manitoba Program	(5,000)	20,000
Market Access Program	30,000	-
	231,877	243,611
Industry Support:		
Film:		
Industry Associations	43,200	41,000
Sponsorships	53,250	33,850
	96,450	74,850
New Media:		
Sponsorships	6,000	-
	6,000	-
Sound Recording:		
Industry Associations	-	1,000
Sponsorships	14,500	15,000
	14,500	16,000
Film Commission/Locations Services	122,026	88,525

MANITOBA FILM AND SOUND RECORDING DEVELOPMENT CORPORATION

STATEMENT OF REVENUES AND EXPENDITURES AND NET ASSETS
YEAR ENDED MARCH 31, 2003

	2003	2002
Programs delivery:		
Salaries	$ 172,494	$ 142,459
Marketing/Operating	125,386	146,966
	297,880	289,425
Corporate administration:		
Salaries	259,365	236,252
Marketing/Operating	138,105	175,511
	397,470	411,763
	2,600,900	3,546,081
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(33,226)	9,391
NET ASSETS, BEGINNING OF YEAR	168,991	159,600
NET ASSETS, END OF YEAR	$ 135,765	$ 168,991

MANITOBA FILM AND SOUND RECORDING DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2003

CASH PROVIDED (USED) BY:	2003	2002
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	$ (33,226)	$ 9,391
Amortization	26,571	23,500
Loss on disposal	-	376
Carry-over commitments	1,713,938	2,653,916
Payments on outstanding carry-over commitment	(2,549,159)	(1,629,330)
Funding receivable	800,000	(1,100,000)
Deferred revenue	31,274	519,858
Accounts receivable and accrued interest	7,938	(13,127)
Prepaid expenses	1,849	172
Inventory	7,176	(4,628)
Accounts payable	(12,675)	31,448
	(6,314)	491,576
INVESTING ACTIVITIES		
Additions to capital assets	(21,676)	(26,660)
Proceeds on disposal of capital assets	-	2,749
Repayment of notes receivable	111,673	22,775
Advance of notes receivable	-	(143,106)
	89,997	(144,242)
FINANCING ACTIVITIES		
Repayment of long-term debt	(99,511)	(34,937)
Advances of long-term debt	-	143,106
	(99,511)	108,169
INCREASE (DECREASE) IN CASH FLOWS	(15,828)	455,503
CASH, BEGINNING OF YEAR	830,523	375,020
CASH, END OF YEAR	$ 814,695	$ 830,523

1. NATURE OF BUSINESS

Manitoba Film and Sound Recording Development Corporation (the "Corporation") is a statutory corporation created by the Province of Manitoba through *The Manitoba Film and Sound Recording Development Corporation Act*. The chief objective of the Corporation is to foster growth of the Manitoba film and sound recording industries by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Manitoba Film and Video Production Tax Credit Program, including registration of productions and review of tax credit applications.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

PROGRAM FUNDING

The Corporation provides grant funding to Manitoba companies and individuals in order to promote Manitoba's film and sound recording artists and industries. The grant may nominally take the form of equity financing from which, in the future, there may be a recovery of principal or return on investment.

REVENUE RECOGNITION

Any recovery of principal or return on investment of programs funded is recorded as program recoupments, when received.

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives. The annual rates are as follows:

Website	30%
Computer equipment	30%
Furniture	20%
Leasehold improvements	5%
Equipment	20%

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Amortization of capital assets is provided based on the Corporation's estimated useful lives of those assets.

2. SIGNIFICANT ACCOUNTING POLICIES (con't)

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

3. CASH

Cash on deposit earns monthly interest at the Chartered Bank's commercial rates.

4. NOTES RECEIVABLE

Notes receivable reflect loans advanced under the Special Loan fund, are required to be repaid as follows:

	2003	2002
Term loan bearing interest at Prime plus 1%, interest payable monthly, and principal balance due on September 1, 2003 (extended from June 1, 2002), secured by an assignment of film tax credits.	$ 95,168	$150,000
Term loan bearing interest at 7.0%, interest payable monthly, and principal balance due August 18, 2003, secured by an assignment of film tax credits.	-	12,162
Term loan bearing interest at 4.25%, interest payable monthly, and principal balance due August 1, 2003, secured by an assignment of film tax credits.	32,500	32,500
Term loan bearing interest at 5.25%, interest payable monthly, and principal balance due September 13, 2003, secured by an assignment of film tax credits.	-	21,288
Term loan bearing interest at 3.5%, interest payable monthly, and principal balance due January 30, 2003, secured by an assignment in part of license fee.	-	23,391
Term loan bearing interest at Prime plus 1%, interest payable monthly, and principal balance due September 1, 2003 (extended from January 30, 2003), secured by an assignment of film tax credits.	56,329	56,329
Term loan bearing interest at Prime plus 1%, interest payable monthly, and principal balance due September 1, 2003 (extended from February 20, 2003), secured by an assignment of film tax credits.	9,598	9,598
	193,595	305,268
Less: Current portion	193,595	239,318
	$ -	$ 65,950

5. CAPITAL ASSETS

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Website	$ 4,907	$ 4,270	$ 637	$ 2,110
Computer equipment	56,234	40,181	16,053	19,652
Furniture	45,810	26,597	19,213	25,589
Leasehold improvements	50,968	7,610	43,358	36,336
Equipment	2,358	1,961	397	865
	$ 160,277	$ 80,619	$ 79,658	$ 84,552

6. DEFERRED REVENUE

The Province of Manitoba has provided funds directed to specific programs in the next fiscal year. These funds consist of:

	2003	2002
Sound portfolio investment equity program	$ 277,500	$ 277,500
Interactive media program	273,632	-
Film and television programs	-	242,358
	$ 551,132	$ 519,858

7. CARRY-OVER COMMITMENTS

Due to lead times required to obtain all the resources necessary to complete film, video and audio productions, the Corporation approves applications for funding which may not be disbursed until subsequent fiscal periods. Particulars of such approved funding in fiscal year ended March 31, 2003 and prior years, which were not fully advanced as at March 31, 2003 are as follows:

	Year of Commitment				Total	
	02/03	01/02	00/01	99/00	2003	2002
Film						
Film development	$ 41,137	$ 5,648	$ 500	$ 800	$ 48,085	$ 27,206
Film production	259,071	79,651	12,177	4,000	354,899	1,196,114
Access to markets and festivals	1,750	-	-	-	1,750	1,071
Emerging talent matching funds	3,400	1,000	-	-	4,400	1,000
Industry support	2,000	-	-	-	2,000	-
Discretionary film	-	-	-	-	-	943
	307,358	86,299	12,677	4,800	411,134	1,226,334

7. CARRY-OVER COMMITMENTS *(continued from previous page)*

	Year of Commitment				Total	
	02/03	01/02	00/01	99/00	2003	2002
Sound						
Sound recording	$ 41,221	$ 9,000	$ -	$ -	$ 50,221	$ 55,750
Demo recording	4,755	681	-	-	5,436	7,184
Audio marketing	1,500	-	-	-	1,500	4,800
Sound touring	(108)	-	-	-	(108)	1,660
Music video production	500	-	-	-	500	1,000
Tour Manitoba	15,000	-	-	-	15,000	20,000
Professional development	-	-	-	-	-	1,477
Market Access	3,000	-	-	-	3,000	-
	65,868	9,681	-	-	75,549	91,871
Total Commitments	$373,226	$95,980	$12,677	$4,800	$486,683	$1,318,205

8. LONG-TERM DEBT

Long-term debt reflects borrowings by the Corporation from the Province of Manitoba to fund Special Loans advanced. Special loans are secured by Notes Receivable which are detailed in Note 4.

	2003	2002
Term loan bearing interest at Prime, interest payments due semi-annually and principal balance due September 1, 2003 (extended from June 1, 2002)	$ 95,168	$150,000
Term loan bearing interest at 3.25%, interest payments due semi-annually and principal balance due August 1, 2003	32,500	32,500
Term loan bearing interest at 4.25%, interest payments due semi-annually and principal balance due September 13, 2003	-	21,288
Term loan bearing interest at 2.5%, interest payments due semi-annually and principal balance due January 30, 2003	-	23,391
Term loan bearing interest at Prime, interest payments due semi-annually and principal balance due September 1, 2003 (extended from January 30, 2003)	56,329	56,329
Term loan bearing interest at Prime, interest payments due semi-annually and principal balance due September 1, 2003 (extended from February 20, 2003)	9,598	9,598
	193,595	293,106
Less: current portion	193,595	239,318
	$ -	$ 53,788

9. FORWARD COMMITMENTS

Due to the demand for funding of film, video and audio productions, the Corporation approves applications for funding which will not be disbursed until subsequent fiscal periods, contingent on future provincial funding.

As at March 31, 2003 the Corporation had forward commitments of $200,000.

10. NET ASSETS

	Invested in capital assets	Unrestricted	2003	2002
Balance, beginning of year	$ 84,552	$ 84,439	$168,991	$159,600
Excess (deficiency) of revenues over expenditures	(26,571)	(6,655)	(33,226)	9,391
Investment in capital assets	21,677	(21,677)	-	-
Balance, end of year	$ 79,658	$ 56,107	$135,765	$168,991

11. LEASE COMMITMENTS

The Corporation has entered into various lease agreements with minimum annual payments as follows:

2004	$60,888
2005	20,994

12. ECONOMIC DEPENDENCE

The Corporation's primary source of income is derived from the Province of Manitoba in the form of an operating grant.

13. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform with the current year's presentation.

THE MANITOBA FOUNDATION
STATEMENT OF RESPONSIBILITY

The accompanying financial statements are the responsibility of the Board of Trustees and have been prepared in accordance with Canadian generally accepted accounting principles. In the Board's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating its best judgement regarding all necessary estimates and all other data available up to September 10, 2003.

The Board of Trustees maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information to properly safeguard assets of The Manitoba Foundation.

The responsibility of the Office of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Repor outlines the scope of the audit examination and provides the audit opinion.

On behalf of the Board of Trustees of The Manitoba Foundation.

Brian H. Kelly

Treasurer

René Perreault

Secretary/Trustee

September 10, 2003

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Trustees of The Manitoba Foundation

We have audited the balance sheet of The Manitoba Foundation as at March 31, 2003 and the statement of operations for the year then ended. These financial statements are the responsibility of the Foundation's Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Manitoba Foundation as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
September 10, 2003

THE MANITOBA FOUNDATION
BALANCE SHEET

As At March 31, 2003
(with comparative figures for March 31, 2002)

	2003 $	2002 $
ASSETS		
Funds on deposit with the Minister of Finance	11	11
FUND BALANCE		
Fund balance	11	11

THE MANITOBA FOUNDATION
STATEMENT OF OPERATIONS

For the Year Ended March 31, 2003
(with comparative figures for the year
ended March 31, 2002)

	2003 $	2002 $
REVENUE:		
Interest and other income	0	0
EXPENSES:		
Administrative expenses	0	0
EXCESS OF REVENUE OVER EXPENSES	0	0
FUND BALANCE AT BEGINNING OF YEAR	11	11
FUND BALANCE AT END OF YEAR	11	11

APPROVED BY THE BOARD:

_______________ Trustee

_______________ Trustee

THE MANITOBA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2003

I. INCORPORATION AND FUNCTION

The Manitoba Foundation was established by The Manitoba Foundation Act which was proclaimed on November 22, 1993.

The Manitoba Foundation meets the requirement of Crown Agency status within the meaning of the Income Tax Act, and as such can receive gifts to Her Majesty in right of Manitoba and issue official receipts for income tax purposes.

The Foundation is intended to act as a conduit, for the transfer of gifts received, to institutions which are registered charities and are designated by the Lieutenant Governor in Council in the Regulations under The Manitoba Foundation Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The Foundation financial statements are prepared in accordance with Canadian generally accepted accounting principles.

3. GIFTS POLICY AND WITHHOLDINGS FOR ADMINISTRATIVE EXPENSES

Gifts to the Foundation must have a value of not less than $10,000 and the transfer of these properties must be voluntary.

The Trustees of the Foundation are entitled to cover their administrative costs from the property and earnings of the fund and have adopted a withholding policy for this purpose. The full amount of the gift is the amount that qualifies for the purposes of an official tax receipt.

The Trustees will review the fund balance and intend to transfer any excess amount withheld to the designated institution(s) on a pro rata basis.

4. SERVICES PROVIDED BY THE PROVINCE

The Province of Manitoba provides administrative support services at no charge to the Foundation. The full costs of these services are nominal in amount.

5. STATEMENT OF CASH FLOWS

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the balance sheet of the Manitoba Gaming Control Commission as at March 31, 2003 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Gaming Control Commission as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2002 were audited by other chartered accountants who expressed an opinion without reservation on those statements in their report dated May 30, 2002.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 6, 2003

MANITOBA GAMING CONTROL COMMISSION
Balance Sheet

March 31	2003	2002
Assets		
Current Assets		
Cash	$ 206,667	$ 179,931
Short-term investments (Note 2b)	2,548,962	2,903,982
Accounts receivable (Note 3)	35,742	65,507
	2,791,371	3,149,420
Long Term Receivable – Province of Manitoba (Note 6)	89,825	89,825
Capital Assets (Note 4)	644,727	552,912
	$ 3,525,923	$ 3,792,157
Liabilities and Surplus		
Current Liabilities		
Accounts payable and accrued liabilities	$ 343,588	$ 438,395
Deferred revenue (Note 5)	1,206,529	1,196,640
	1,550,117	1,635,035
Provision for employee severance benefits (Note 6)	153,201	143,705
Deferred lease inducements (Note 7)	48,125	58,625
	1,751,443	1,837,365
Surplus	1,774,480	1,954,792
	$ 3,525,923	$ 3,792,157

The accompanying notes are an integral part of these financial statements

MANITOBA GAMING CONTROL COMMISSION
Statement of Operations and Surplus

For the year ended March 31	2003	2002
Revenue		
Registration fees	$ 2,286,281	$ 2,250,727
License fees	1,310,676	1,386,668
	3,596,957	3,637,395
Expenses		
Salaries and benefits	2,481,039	2,338,617
Legal and professional fees	308,650	78,774
Other expenses (Note 8)	266,132	308,221
Amortization	191,951	89,429
Rent	149,788	140,202
Transportation	124,306	131,837
Commission Board	121,278	73,112
Communications	98,451	82,074
Supplies and services	67,763	63,343
Accommodations	31,563	41,978
	3,840,921	3,347,587
Income (loss) before other items	(243,964)	289,808
Other Items		
Other income	10,612	25,721
Interest income	53,040	72,143
	63,652	97,864
Excess (deficiency) of revenue over expenses	(180,312)	387,672
Surplus, beginning of year	1,954,792	1,567,120
Surplus, end of year	$ 1,774,480	$ 1,954,792

The accompanying notes are an integral part of these financial statements.

MANITOBA GAMING CONTROL COMMISSION

Statement of Cash Flows

For the year ended March 31	2003	2002
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses	$ (180,312)	$ 387,672
Items not involving cash		
Amortization of capital assets	191,951	89,429
Amortization of capital assets related to the Commission Board	4,459	2,077
	16,098	479,178
Changes in non-cash working capital balances		
Accounts receivable	29,765	(19,734)
Long Term Receivable – Province of Manitoba	0	11,704
Accounts payable and accrued liabilities	(94,807)	145,805
Deferred revenue	9,889	33,905
Provision for employee severance benefits	9,496	12,540
	(29,559)	663,398
Cash Flows from Investing Activities		
Purchase of capital assets	(288,225)	(240,514)
Cash Flows from Financing Activities		
Deferred lease inducements	(10,500)	(10,500)
Increase (decrease) in cash and cash equivalents during the year	(328,284)	412,384
Cash and cash equivalents, beginning of year	3,083,913	2,671,529
Cash and cash equivalents, end of year	$ 2,755,629	$ 3,083,913
Represented by		
Cash	$ 206,667	$ 179,931
Short-term investments	2,548,962	2,903,982
	$ 2,755,629	$ 3,083,913

The accompanying notes are an integral part of these financial statements

1. Nature of Business

The Manitoba Gaming Control Commission was established by The Gaming Control Act. The organization's objectives are to regulate and control gaming activity in the province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest. The organization began its operations on October 20, 1997.

2. Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

b. Short-Term Investments

Short-term investments are carried at cost, which approximates market value. Funds available for short-term investment are invested with the Province of Manitoba, in accordance with Section 55(7) of The Gaming Control Act.

c. Financial Instruments

The organization's financial instruments consist of cash, short-term investments, accounts receivable, and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

d. Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20 % declining balance basis
Furniture and fixtures	10 % declining balance basis
Computer equipment	30 % declining balance basis

e. Revenue Recognition

Revenue and expenses are recorded on an accrual basis except for license and supplier registration fees, which are recognized on a cash receipt basis.

f. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Accounts Receivable

	2003	2002
Trade	$ 2,723	$ 14,056
Manitoba Lotteries Corporation	20,086	38,518
Employee Advances	12,933	12,933
	$ 35,742	$ 65,507

4. Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	$ 65,453	$ 36,506	$ 28,947	$ 25,057
Furniture and fixtures	295,769	125,256	170,513	189,459
Computer equipment	840,742	395,475	445,267	338,396
	$ 1,201,964	$ 557,237	$ 644,727	$ 552,912

5. Deferred Revenue

Deferred revenue consists of registration fees received to be recognized as revenue in the year in which the related expenses are incurred.

6. Provision for Employee Severance Benefits

Effective April 1, 1998, the Commission commenced recording the estimated liability for accumulated severance pay benefits for certain of its employees. The amount of this estimated liability is determined using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 23 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Commission.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Commission's employees. Accordingly, the Commission recorded a receivable of $146,079 from the Province of Manitoba, which is an amount that is equal to the estimated liability for accumulated severance pay benefits at March 31, 1998. There are no specific terms of repayment for this receivable.

7. Deferred Lease Inducements

The organization has received lease inducements in the form of a rent-free period of approximately ten months. The benefits arising from these lease inducements are amortized over the term of the lease on a straight-line basis as reductions of rental expense. Rental expense has been reduced by $10,500 for the period ending March 31, 2003 ($10,500 in 2002) and an annual reduction in rental expense of approximately $10,500 is expected for the years 2004 through 2007.

8. Other Expenses

Other expenses include the First Nations Implementation Team expenses of $44,642 ($143,137 in 2002).

9. Commitments

The organization has an operating lease for its premises at $12,094 per month, under a lease expiring in 2007.

The minimum annual lease payments for the next four years are as follows:

2004	$	145,125
2005		145,125
2006		145,125
2007		145,125

10. Economic Dependence

A substantial portion of the organization's total revenue is derived from Manitoba Lotteries Corporation in the form of registration fees.

11. Pension Plans

Substantially all of the employees of the Commission are members of a Money Purchase Pension Plan ("the Plan"), which is a defined contribution pension plan available to all eligible employees of the Commission. Upon retirement, plan members will receive benefits based on contributions made to the Plan during the employees' years of service.

The remainder of the employees are members of the Province of Manitoba's defined benefit Superannuation Pension Fund ("the Fund"). Variances between actual funding estimates and actual experience will be revealed in future valuations which may require an increase in the funding contribution rates.

The Commission matches employees' current pension contributions to both plans. As a matching employer, the Commission discharges its pension liability on a current basis and, therefore, has no additional pension obligation.

The Commission's portion of contributions to these plans is recognized as operating expenses in the period of contribution. Total contributions for the year are $80,946 ($60,597 in 2002).

12. Comparative Figures

Certain comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of The Manitoba Habitat Heritage Corporation

We have audited the statement of financial position of The Manitoba Habitat Heritage Corporation as at March 31, 2003 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 16, 2003

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Financial Position
as at March 31, 2003
(with comparative figures for 2002)

	North American Waterfowl Management Plan	Manitoba Agro Woodlot Program	Riparian Stewardship Program	Capital Assets	2003	2002
Assets						
Current						
Cash	$135,530	$154,240	$41,771	$ -	$331,541	$271,390
Funds on deposit with Province of Manitoba		50,656	250,669		301,325	656,803
Accounts Receivable						
Government of Canada	134,250				134,250	108,464
Province of Manitoba		5,111	316		5,427	2,008
Other	79,520	13,086	25,000		117,606	31,122
Due from North American Waterfowl Management Plan			15,000		15,000	
Due from Manitoba Agro Woodlot Program	1,938				1,938	2,364
Due from Riparian Stewardship Program	38,938				38,938	116
Prepaid expenses	33,427	500			33,927	10,131
	423,603	223,593	332,756		979,952	1,082,398
Capital assets (Note 3)				2,254,651	2,254,651	1,704,378
					3,234,603	2,786,776
Trust assets (Notes 7a,7b and 7c)					676,568	659,810
	$423,603	$223,593	$332,756	$2,254,651	$3,911,171	$3,446,586
Liabilities						
Current						
Accounts payable and accrued liabilities	$80,399	$17,401	$3,366	$ -	$101,166	$132,490
Due to North American Waterfowl Management Plan		1,938	38,938		40,876	2,480
Due to Riparian Stewardship Program	15,000				15,000	
Capital lease obligation				1,668	1,668	2,419
	95,399	19,339	42,304	1,668	158,710	137,389
Deferred contributions (Note 4)	328,204	204,254	290,452		822,910	947,428
Fund balances						
Invested in Capital Assets				2,252,983	2,252,983	1,701,959
					3,234,603	2,786,776
Trust liabilities (Notes 7a and 7b)					676,568	659,810
	$423,603	$223,593	$332,756	$2,254,651	$3,911,171	$3,446,586

Commitments (Notes 4 and 5)

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Operations and Changes in Fund Balances
for the year ended March 31, 2003
(with comparative figures for 2002)

	North American Waterfowl Management Plan	Manitoba Agro Woodlot Program	Riparian Stewardship Program	Capital Assets	2003	2002
REVENUE						
Federal government contributions	$528,500	$14,000	$185,000	$ -	$727,500	$588,165
Province of Manitoba contributions	545,588	201,125	53,675		800,388	800,161
Contributed services, Province of Manitoba	62,642	76,963	13,618		153,223	148,293
Donations	737				737	209
Interest income	5,657	4,414	3,308		13,379	13,844
Other	268,761	24,046	51,900		344,707	351,913
Management fees (Note 8)	157,316				157,316	179,649
	1,569,201	320,548	307,501	-	2,197,250	2,082,234
EXPENSES						
Amortization of capital assets				35,158	35,158	33,136
Service delivery - Schedule 1	1,121,474				1,121,474	1,139,331
- Schedule 2		313,493			313,493	309,383
- Schedule 3			307,501		307,501	222,998
	1,121,474	313,493	307,501	35,158	1,777,626	1,704,848
Excess (deficiency) of revenue over expenses	447,727	7,055	-	(35,158)	419,624	377,386
Fund balances, beginning of year	-	-	-	1,701,959	1,701,959	1,324,573
Donated land (Note 2b)				131,400	131,400	-
Interfund transfers	(447,727)	(7,055)	-	454,782	-	-
Fund balances, end of year	$ -	$ -	$ -	$2,252,983	$2,252,983	$1,701,959

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Cash Flows
for the year ended March 31, 2003
(with comparative figures for 2002)

	North American Waterfowl Management Plan	Manitoba Agro Woodlot Program	Riparian Stewardship Program	Capital Assets	2003	2002
Cash from operating activities						
Excess (deficiency) of revenue over expenses	$447,727	$7,055	$ -	($35,158)	$419,624	$377,386
Amortization of capital assets				35,158	35,158	33,136
Net change in non-cash working capital	(188,647)	(18,251)	36,089		(170,809)	(55,839)
Increase (decrease) in deferred contributions	(151,588)	9,745	17,325		(124,518)	258,864
Net cash generated through operating activities	107,492	(1,451)	53,414	-	159,455	613,547
Financing and investing activities						
Purchase of capital assets				(454,782)	(454,782)	(410,522)
Interfund Transfers	(447,727)	(7,055)	0	454,782	-	-
Net increase (decrease) in cash	(340,235)	(8,506)	53,414	-	(295,327)	203,025
Cash and cash equivalents, beginning of year	475,765	213,402	239,026	-	928,193	725,168
Cash and cash equivalents, end of year	$135,530	$204,896	$292,440	$ -	$632,866	$928,193
Cash and cash equivalents consist of :						
Cash	$135,530	$154,240	$41,771	$ -	$331,541	$271,390
Funds on deposit with Province of Manitoba	-	50,656	250,669		301,325	656,803
	$135,530	$204,896	$292,440	$ -	$632,866	$928,193

1. Nature of Organization

The Manitoba Habitat Heritage Corporation (MHHC) was established in 1986 as a Crown Corporation under *The Manitoba Habitat Heritage Act*. The objectives of the Corporation are the conservation, restoration and enhancement of Manitoba fish and wildlife habitat and the associated fish and wildlife populations thereof. Donations to the Corporation are tax deductible by the donor pursuant to *The Income Tax Act*, as gifts to Her Majesty. The Corporation is involved in the following initiatives:

a) The North American Waterfowl Management Plan (NAWMP)

Under Order-in-Council 634/89, the Corporation is authorized to be the Provincial agency responsible for coordinating the delivery of the North American Waterfowl Management Plan in Manitoba.

b) The Manitoba Agro Woodlot Program (MAWP)

On May 7, 1992 the Corporation signed a memorandum of agreement with Manitoba Department of Natural Resources to deliver the Manitoba Agro Woodlot Program in Southwestern Manitoba. A management fee is charged by the Corporation for services provided by NAWMP to this program.

c) The Riparian Stewardship Program (formerly The Green Banks Program)

In January 1994, the Board of Directors of the Corporation directed staff to develop a strategy to deal with protection, restoration and enhancement of riparian habitat in agro-Manitoba. In fiscal year 2002/03, the name of the program was changed to the Riparian Stewardship Program to more accurately describe the program's objectives. A management fee is charged by the Corporation for services provided by NAWMP to this program.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are:

a) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred.

Interest income earned on restricted funds' resources is recognized as revenue of the related restricted fund.

Management fees are recognized as revenue in the year the service is provided.

b) Capital Assets

The Capital Asset Fund reports the assets and related amortization of the Corporation's capital assets.

Purchased capital assets are recorded at cost and donated capital assets are recorded at fair value at the date the asset is donated.

Amortization of capital assets is recorded on a straight-line basis over the estimated useful life of the capital asset at the rates indicated below. Amortization expense is recorded in the capital asset fund.

Computer hardware - 20%
Computer software - 33%
Equipment - 10%
Furniture and fixtures - 10%

c) Contributed Services

Services are contributed by the Wildlife and Ecosystem Protection and Forestry Branches of Manitoba Conservation. Contributed services are recorded at cost, which is fair value.

d) Funds on Deposit with Province of Manitoba

Funds on deposit are recorded at cost. All funds on deposit have terms of 90 days or less.

3. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2003	Net Book Value 2002
Land and land use rights	$ 2,117,923	$ -	$ 2,117,923	$ 1,584,911
Computer hardware	193,892	131,049	62,843	56,295
Computer software	37,595	23,515	14,080	9,438
Equipment	104,404	57,163	47,241	43,454
Furniture and fixtures	62,719	50,155	12,564	10,280
Total capital assets	$ 2,516,533	$ 261,882	$ 2,254,651	$ 1,704,378

4. Deferred Contributions

Deferred contributions reported in the respective funds relate to restricted funding received in the current period that is related to expenses of future periods. Deferred contributions are required for the ongoing future operations of the Corporation as follows:

NAWMP

- $188,717 received from Environment Canada, for purchased Species at Risk Habitat Stewardship Program (SARA) Conservation Agreements, signed with landowners in fiscal year 2002/03. Payment for these Conservation Agreements will be made after filing of the caveats.
- $214,080 committed for purchased NAWMP Conservation Agreements, signed with landowners in 2002/03. Payment for these Conservation Agreements will be made after filing of the caveats.

Riparian Stewardship Program

- $164,279 committed to signed, landowner agreements to cover both capital costs and staff time to complete the projects.

Changes in the deferred contributions balance reported in the respective funds are as follows:

	NAWMP	MAWP	Riparian Stewardship	2003	2002
Beginning balance	$ 479,792	$ 194,509	$ 273,127	$ 947,428	$ 688,564
Add revenue received	1,620,014	330,293	324,826	2,275,133	-
Less expenditures	(1,771,602)	(320,548)	(307,501)	(2,399,651)	258,864
Expenditures (over) under revenues	(151,588)	9,745	17,325	(124,518)	258,864
Ending balance	$ 328,204	$ 204,254	$ 290,452	$ 822,910	$ 947,428

5. Commitments

a) The Corporation leases land for wildlife habitat under NAWMP. Each lease is subject to the condition that sufficient funds are provided by the Province of Manitoba. The future minimum lease payments in the aggregate and for each of the four succeeding years are:

2004	$10,614
2005	9,419
2006	5,596
2007	1,267
Aggregate	$26,896

b) The Corporation leases space under existing leases for two NAWMP field offices. The future minimum lease payments in the aggregate and for each of the two succeeding years are:

2004	$ 9,200
2005	1,200
Aggregate	$10,400

c) The Corporation leases vehicles and office equipment under NAWMP and MAWP. The future minimum lease payments in the aggregate and for each of the three succeeding years are:

2004	$10,741
2005	7,471
2006	1,908
Aggregate	$20,120

d) The Corporation leases computer equipment in the Winnipeg office. The future minimum lease payments in the aggregate and for each of the next two years are:

2004	$ 1,126
2005	375
Aggregate	$ 1,501

e) At March 31, 2003 the Riparian Stewardship Program included several projects in progress. Remaining commitments under these signed agreements total approximately $164,279.

f) At March 31, 2003 the NAWMP Program included funding from Environment Canada, Species at Risk Habitat Stewardship Program (SARA) for the purchase of signed Conservation Agreements. Commitments under these signed conservation agreements total approximately $188,717.

g) At March 31, 2003, the NAWMP Program included several signed, purchased Conservation Agreements, to be paid out upon filing of the caveats. Commitments under these signed conservation agreements total approximately $214,080.

6. Employee Pension Plan

Under the terms of the Corporation's pension plan, employee contributions are matched by the Corporation on a current basis. As a result, there are no unfunded liabilities and no outstanding corporate obligations.

7. Trust Assets/Liabilities

a) The Critical Wildlife Habitat Program (CWHP)

The Corporation is a partner to the CWHP along with the Wildlife and Ecosystem Protection Branch of Manitoba Conservation.

The Corporation holds title, in trust, to a portfolio of land and provides banking and financial services for CWHP funds designated to the Corporation including funds of the Manitoba Forestry/Wildlife Management Project (MFWMP). A management fee is charged by the Corporation for the services provided by NAWMP. Disbursements are made at the direction of the Wildlife and Ecosystem Protection Branch. Grants from the Province of Manitoba flow through the Corporation to this program.

Trust assets held by MHHC on behalf of this program include:

	2003	2002
Land Portfolio	$593,280	$593,280
Cash-CWHP	29,376	48,141
Cash-MFWMP	11,723	11,723
	$634,379	$653,144

b) Manitoba Model Forest Inc. (MBMF)

On March 31, 1997 the Corporation entered into a one year agreement with MBMF to provide banking and financial services to this program. The agreement was subsequently extended for a further period of two years until March 31, 2000. The project was completed in 2003 and the bank account closed.

Trust assets held by MHHC on behalf of this program include:

	2003	2002
Cash	$ -	$ 6,666

7. Trust Assets/Liabilities (con't)

c) Prairie Habitat Joint Venture Advisory Board. (PHJV)

On May 12, 1990 Manitoba officially joined the PHJV Advisory Board. The Board's purpose is to oversee implementation of the NAWMP through a joint venture amoung participating agencies within the prairie provinces. At the beginning of this fiscal year the PHJV agreed to hire a coordinator to assist with the work of the Policy sub-committee and also agreed that the partner agencies would contribute to the costs with MHHC banking the funds.

Trust assets held by MHHC on behalf of this program on March 31, 2003 were: $42,189.

8. Management Fees

The Corporation charges for services provided by NAWMP to other programs as follows:

	2003	2002
MAWP	$ 8,228	$ 9,072
Riparian Stewardship Program	124,437	127,001
CWHP	24,651	41,476
Other	-	2,100
	$157,316	$179,649

9. Economic Dependence

MHHC is economically dependent on the Province of Manitoba to provide the majority of funding.

10. Public Sector Compensation Disclosure

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, the remuneration paid to Board members during the year, in aggregate, totaled $5,900 (2002 - $9,381). In addition, three contract employees received the following amounts in the fiscal year:

	2003	2002
T. Sopuck, Manager of Operations	$ 62,026	$ 57,406
K. Teneycke, Habitat Field Manager	54,360	N/A
A. Wren, Manager, Financial Services	52,822	N/A

THE MANITOBA HABITAT HERITAGE CORPORATION

Schedule 1

NORTH AMERICAN WATERFOWL MANAGEMENT PLAN

Schedule of Expenses for the year ended March 31, 2003
(with comparative figures for 2002)

	2003	2002
Expenses		
Habitat activities		
Salaries and benefits	$411,264	$346,965
Managed grazing systems	-	112,625
Field office operations	62,939	64,884
Staff support	74,585	74,310
Nest baskets	22,921	28,934
Land leases	16,558	27,601
Habitat development	10,510	6,699
Taxes	16,022	14,523
	614,799	676,541
Evaluation	13,667	7,000
Communications		
Salaries and benefits	78,894	74,434
Program delivery	30,738	36,130
	109,632	110,564
Program coordination		
Salaries and benefits	204,047	191,123
Rent	44,736	42,701
Office	48,660	46,996
Other	36,877	23,680
Professional fees	22,230	16,315
Board meetings and remuneration	6,299	10,215
Travel	20,527	14,196
	383,376	345,226
Total expenses	**$1,121,474**	**$1,139,331**

MANITOBA AGRO WOODLOT PROGRAM

Schedule of Expenses for the year ended March 31, 2003
(with comparative figures for 2002)

	2003	2002
Expenses		
Habitat activities		
Salaries and benefits	$205,209	$185,272
Incentives	7,112	20,680
Travel	33,357	29,367
Office	18,861	17,803
Management fees (Note 8)	7,905	9,072
Rent	7,236	7,236
Other	14,304	21,215
Professional fees	2,594	701
Training workshops	8,931	11,501
Manitoba Model Forest Projects	1,446	-
	306,955	302,847
Communications		
Management fees (Note 8)	323	-
Program delivery	6,215	6,536
	6,538	6,536
Total expenses	**$313,493**	**$309,383**

RIPARIAN STEWARDSHIP PROGRAM

Schedule of Expenses for the year ended March 31, 2003
(with comparative figures for 2002)

	2003	2002
Expenses		
Riparian Coordination	$55,347	$16,987
Management fees (Note 8)	124,437	127,001
Contributed services	13,618	13,312
Managed grazing systems	97,180	51,038
Other	16,919	14,660
Total expenses	**$307,501**	**$222,998**

BDO

BDO Dunwoody LLP
Chartered Accountants
and Consultants
www bdo ca

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone (204) 956-7200
Telefax (204) 926-7201

Auditors' Report

To the Legislative Assembly of Manitoba:

We have audited the statement of financial position of **Manitoba Health Research Council** as at March 31, 2003 and the statements of operations and fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures have been reported on by other auditors.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 10, 2003

BDO Dunwoody LLP *is a Limited Liability Partnership registered in Ontario*

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Financial Position

March 31	2003	2002
Assets		
Current Assets		
Cash and bank	$ 35,255	$ 16,878
Short-term investments		
Market Value 2003 - $701,801(2002 - $1,318,192)	699,319	1,276,569
Accounts receivable	589	-
Accrued interest receivable	10,184	57,649
Prepaid expenses	1,401	1,557
Deposits	500	500
	747,248	1,353,153
Capital assets (Note 2)	5,333	4,097
	$ 752,581	$ 1,357,250
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities	$ 7,946	$ 7,159
Research grants payable	192,835	721,915
	200,781	729,074
Commitments (Note 4)		
Fund Balances		
General Research Fund (Page 4)	140,349	131,751
Regional Partnerships Program Fund (Page 4)	7,513	106,022
Strategic Health Research Development Fund (Page 4)	403,938	390,403
	551,800	628,176
	$ 752,581	$ 1,357,250

Approved on behalf of the Board:

____________________ Director

____________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Operations and Fund Balances

For the year ended March 31				2003	2002
	General Research Fund	Regional Partnership Fund	Strategic Health Research Development Fund	Total	Total
Revenue					
Province of Manitoba Grants	$ 1,752,600	$ 181,833	$ -	$ 1,934,433	$ 2,618,892
Grants Returned/Rescinded	25,484	-	-	25,484	89,005
Interest	13,925	23,711	28,324	65,960	69,922
	1,792,009	205,544	28,324	2,025,877	2,777,819
Expenditures					
Administration (Page 10)	110,914	22,183	14,789	147,886	136,962
Personnel awards	678,000	77,000	-	755,000	819,000
Research grants	994,497	204,870	-	1,199,367	1,954,379
	1,783,411	304,053	14,789	2,102,253	2,910,341
Excess (deficiency) of revenue over expenditures	8,598	(98,509)	13,535	(76,376)	(132,522)
Fund balances, beginning of year	131,751	106,022	390,403	628,176	760,698
Fund Balances, end of year (Page 3)	$ 140,349	$ 7,513	$ 403,938	$ 551,800	$ 628,176

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Cash Flows

For the year ended March 31	2003	2002
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	$ (76,376)	$ (132,522)
Adjustments for		
Amortization of capital assets	890	1,024
	(75,486)	(131,498)
Changes in non-cash working capital balances		
Short-term investments	577,250	(151,647)
Accounts receivable	(589)	282,146
Accrued interest receivable	47,465	(6,426)
Prepaid expenses	157	(1,557)
Accounts payable and accrued liabilities	787	(14,849)
Research grants payable	(529,080)	61,700
	20,504	37,869
Cash Flows from Investing Activities		
Purchase of capital assets	(2,127)	-
Cash Flows from Financing Activities		
Non-current research grants payable	-	(28,500)
Increase in cash and cash equivalents during the year	18,377	9,369
Cash, beginning of year	16,878	7,509
Cash, end of year	$ 35,255	$ 16,878

Supplementary Information:

	2003	2002
Interest received	$ 89,377	$ 63,494

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

1. Entity Definition

The Manitoba Health Research Council was established by The Manitoba Health Research Council Act to promote and assist basic, clinical and applied research in the health sciences in Manitoba. The Manitoba Health Research Council is a registered charity and is exempt from tax under the Income Tax Act.

2. Capital Assets

	2003		2002	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	$ 6,375	$ 4,025	$ 6,375	$ 3,437
Computer equipment	4,642	1,659	2,515	1,356
	$ 11,017	$ 5,684	$ 8,890	$ 4,793
Net book value		$ 5,333		$ 4,097

3. Related Party Transactions

Manitoba Health Research Council is related to all Province of Manitoba departments and agencies. During the year, the Council had the following transactions with related organizations:

Grant Revenue	$ 1,934,433
Office Rent at not charge - University of Manitoba	

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4. Commitments

The Manitoba Health Research Council has committed grants and awards under the Research Fund and the RPP Fund as follows:

Year	General Research Fund	Regional Partnership Fund	Total
2004	$ 882,013	$ 495,286	$ 1,377,299
2005	893,724	300,967	1,194,691
2006	47,412	-	47,412
	$ 1,823,149	$ 796,253	$ 2,619,402

Commitments of future years of the General Research Fund and Regional Partnership Fund are not recorded as an expenditure in the year of commitment, they are recorded as paid.

These commitments are funded as follows:

Current General Research Fund Balance	$ 140,349
Current Regional Partnership Fund Balance	7,513
Future provincial government funding	2,471,540

5. Economic Dependence

The Manitoba Health Research Council relies almost entirely on grants from the Province of Manitoba.

MANITOBA HEALTH RESEARCH COUNCIL
Schedule of Administrative Expenses

For the year ended March 31	2003	2002
Accounting and audit	$ 3,200	$ 3,500
Amortization	890	1,024
Bank charges and interest	160	279
Council and committee expenses	4,922	1,604
Delivery	1,757	1,547
GST expense	791	350
Insurance	4,017	2,756
Office equipment	-	414
Printing, stationery and office supplies	8,341	4,421
Repairs and maintenance	1,075	1,004
Salaries and benefits	121,440	118,803
Telephone	1,293	1,260
	$ 147,886	$ 136,962

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba

We have audited the balance sheet of the Manitoba Health Services Insurance Plan as at March 31, 2003 and the statement of revenue and expenses, and net assets for the year then ended. These financial statements are the responsibility of the management of the Department of Health. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the assets, liabilities and net assets of the Manitoba Health Services Insurance Plan as at March 31, 2003 and the revenue and expenses and cash flows for the year then ended in accordance with the accounting policies described in note 2. These financial statements reflect the Plan's health programs expenses for insured services and the funding provided for these programs from the Department of Health appropriations for the Health Services Insurance Fund and Capital Grants.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 18, 2002

Manitoba Health Services Insurance Plan

Balance Sheet

As At March 31, 2003

ASSETS

	2003	2002
	(thousands of dollars)	
Cash	$ 23,807	$ 23,365
Funds on deposit with the Province of Manitoba	103,400	102,756
Accounts receivable:		
Province of Manitoba	--	28
Other Provinces and Territories	10,042	12,693
Other	2,812	4,630
	12,854	17,349
Receivable from the Province of Manitoba (Note 3)	204,100	181,000
Funds held in trust re debenture trust agreements (Note 6)	53,862	50,329
	$398,023	$374,799

LIABILITIES AND NET ASSETS

	2003	2002
	(thousands of dollars)	
Accounts payable and accrued liabilities:		
Health Authorities and Facilities	$ 60,538	$ 73,552
Medical services claims	49,089	37,536
Pharmacare claims	12,478	8,158
General	17,156	16,398
	139,261	135,644
Provision for long term disability benefits (Note 10)	--	7,026
Vacation pay and post-employment benefits (Note 3)	204,100	181,000
Holdbacks relating to debenture trust agreements (Note 6)	53,862	50,329
Net assets	800	800
	$398,023	$374,799

See accompanying notes to financial statements.

Manitoba Health Services Insurance Plan

Statement of Revenue and Expenses and Net Assets

For the Year Ended March 31, 2003

	2003	2002
	(thousands of dollars)	
Revenue:		
Grants from the Province of Manitoba	$2,694,172	$2,552,429
Third party recoveries	8,575	7,673
Miscellaneous	118	69
Total revenue	2,702,865	2,560,171
Expenses:		
Health Authorities and Facilities (Notes 5 and 7)	1,915,128	1,819,990
Medical (Notes 5, 7 and 8)	546,288	525,055
Provincial programs	80,637	78,343
Pharmacare	160,812	136,783
Total expenses	2,702,865	2,560,171
Excess of revenue over expenses	–	–
Net assets beginning of year	800	800
Net assets end of year	$ 800	$ 800

See accompanying notes to financial statements.

Note 1 - Nature of Operations

The Manitoba Health Services Insurance Plan operates under the authority of the Health Services Insurance Act. The mandate of the Plan is to provide health related insurance for Manitobans by funding the costs of qualified hospital, medical, personal care and other health services. The Plan's financial operations are administered outside of the Provincial Consolidated Fund.

Note 2 - Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, except for the following.

Vacation Pay and Post-Employment Benefits Liability

As explained in Note 3 the change in the liability has not been recorded as an expense and the change in the receivable has not been recorded as revenue for each of the years ended March 31, 2003 and 2002. The change in the liability and the change in the receivable for the year ended March 31, 2005 will be recorded, for the first time, in the statement of revenue and expenses for the year ended March 31, 2005.

Note 3- Change in Accounting Policy Related To Vacation Pay and Post-Employment Benefits Liability

Under current funding arrangements with health authorities and health facilities, the Manitoba Health Services Insurance Plan does not fund the annual vacation leave earned by employees of health authorities and health care facilities until the year vacations are taken. As well, the Plan does not fund post-employment benefits earned by employees of the health authorities and health care facilities until those post-employment benefits are paid.

In years prior to 2003, the Plan did not record, in the financial statements, the related liability to the health authorities and devolved and non-devolved health care facilities and did not record the related receivable from the Province of Manitoba. For the year ended March 31, 2003, the Plan has commenced recording, in the financial statements, the liability and the receivable associated with the accrued vacation pay liabilities and post-employment benefit liabilities of the health authorities and the devolved and non-devolved health care facilities as at March 31, 2003 and retroactively as at March 31, 2002.

The change in the liability has not been recorded as an expense and the change in the receivable has not been recorded as revenue for each of the years ended March 31, 2003 and 2002.The change in the liability and the change in the receivable for the year ended March 31, 2005 will be recorded, for the first time, in the statement of revenue and expenses for the year ended March 31, 2005.

The effect of this change in accounting policy is to increase assets by $204,100,000 (2002-$181,000,000) and to increase liabilities by $204,100,000 (2002-$181,000,000), There is no effect on revenue (2002-no effect) and no effect on expenses (2002-no effect).

Note 4 Administrative and Operating Expenses

The financial statements do not include administrative salaries and operating expenses related to the Plan. These are included in the operating expenses of Manitoba Health.

Note 5 Interprovincial Reciprocal Recoveries

Under interprovincial reciprocal agreements Canadian residents can obtain necessary hospital and medical services while away from their home provinces or territories. Claims for services are subsequently recovered between provincial governments. In order to reflect the cost of insured services to Manitobans, the recoveries attributable to services for non-Manitoba residents are netted against program expenditures.

For the year ended March 31, 2003 the expense for Health Authorities and Facilities within the Province, of $1,915,128,000 (2002 - $1,819,990,000) is net of reciprocal recoveries of $28,855,000 (2002 - $26,637,000). The expense for Medical program of $546,288,000 (2002 - $525,055,000) is net of reciprocal recoveries of $9,179,000 (2002 - $8,984,000).

Note 6 - Funds Held in Trust re Debenture Trust Agreements

	2003	2002
	(thousands of dollars)	
Government of the Province of Manitoba	$35,952	$32,419
Government of the Province of B.C. – Bonds	17,910	17,910
	$53,862	$50,329

These funds are used for debt servicing related to debentures.

Note 7 – Regional Health Authorities

The following table summarizes payments to the Health Authorities. These payments are included in the financial statements in the expense categories of Health Authorities and Facilities and Medical.

Regional Health Authority	2003 Facilities (000's)	2003 Medical (000's)	2003 Total (000's)	2002 Total (000's)
Winnipeg	$1,262,337	$84,855	$1,347,192	$1,209,328
Brandon	118,050	5,816	123,866	108,067
North Eastman	28,604	2,795	31,399	29,780
South Eastman	43,285	3,109	46,394	39,616
Interlake	63,723	4,270	67,993	58,467
Central	106,357	8,722	115,079	107,826
Assiniboine	88,373	9,825	98,198	93,386
Parkland	74,039	3,183	77,222	73,506
Norman	38,895	6,092	44,987	41,156
Burntwood	32,194	10,847	43,041	39,062
Churchill	7,369	309	7,678	6,460
Total payments	$1,863,226	$139,823	$2,003,049	$1,806,654

Note 7 – Regional Health Authorities (continued)

The expense category, Health Authorities and Facilities, in the Statement of Revenue and Expenses and Net assets is comprised of the following:

	2003 (000's)	2002 (000's)
Payments to Health Authorities	$1,863,226	$1,674,003
Accruals and payments to facilities and third parties	80,757	172,624
Reciprocal recoveries	(28,855)	(26,637)
Total expenditures	$1,915,128	$1,819,990

The expense category, Medical, in the Statement of Revenue and Expenses and Net assets is comprised of the following:

	2003 (000's)	2002 (000's)
Fee for service medical payments and accruals	$394,617	$376,612
Payments to Health Authorities	139,823	132,651
Other (Note 8)	11,848	15,792
Total expenses	$546,288	$525,055

Note 8 - Medical

Included in medical expenses are the following other health service expenditures:

	2003	2002
	(thousands of dollars)	
Optometric	$ 4,460	$ 4,469
Chiropractic	7,388	11,323
	$11,848	$15,792

Note 9 - Capital Financing

Hospitals and personal care homes obtain financing for capital projects by issuing debentures, or arranging for mortgages or long-term bank loans. The Hospital Capital Financing Authority approves the issue of all securities and assists in obtaining an orderly market for the sale of securities to finance these capital expenditures. This indebtedness is not reflected in these financial statements and is not guaranteed by the Manitoba Health Services Insurance Plan. Funds for the payment of principal and interest related to approved capital debt are included in the Plan's expenditures.

At March 31, 2003, the approved outstanding capital debt of hospitals and personal care homes was $640,355,000 (2002 - $615,121,000) net of accumulated sinking funds of $108,321,000 (2002 - $101,338,000. The approved outstanding capital debt includes $445,513,000 (2002- $391,916,000) borrowed directly from the Province of Manitoba. In addition to the approved outstanding capital debt, lines of credit up to $67,893,000 (2002 - $72,521,000) have been established to finance capital projects in process. On completion of these projects, the borrowings will be converted to long-term debt of the facilities.

Funds for the payment of principal and interest related to approved capital debt are included in the Plan's expenditures. For the year ended March 31, 2003, the amount related to principal and interest payments included in the expenses for Health Authorities and Facilities was $102,220,000 (2002 - $96,750,000).

Note 10 - Provision for Long Term Disability Benefits

Provision for long-term disability benefits represents the Manitoba Health Services Insurance Plan's share of the estimated future benefits payments of the Manitoba Health Organization Inc. Long Term Disability Insurance Plan for employees of health care facilities covered under the plan.

This amount was established actuarially, as at December 31, 1999, by the insurer of the plan. The amount represents Manitoba Health's share of the estimated cost of future payments to participants, who were on the plan as of March 31, 1999, and continue to receive payments at March 31, 2002. This plan was replaced as of April 1, 1999. When recipients no longer require benefits, they are removed from the plan.

Effective April 1, 1999 a new method of funding long term disability benefits was implemented whereby the Regional Health Authorities are funded 1% of total salaries to cover the costs of the plan. All new claimants subsequent to April 1, 1999 are the responsibility of the Regional Health Authorities and the Healthcare Employees Benefits Plan (HEBP). The costs associated with the funding of this plan are included in the expenditure category of Health Authorities and Facilities.

As of May 28, 2002, Manitoba Health Services Insurance Plan transferred the full amount of the provision for long term disability benefits for the pre April 1, 1999 recipients of benefits to the Health Care Employee Benefits Plan. Manitoba Health Services Insurance Plan no longer has any responsibility for the administration and funding of the provision for long term disability benefits for the pre April 1, 1999 recipients of benefits.

Note 11 - The Public Sector Compensation Disclosure Act

The Schedule of Payments pursuant to the provisions of The Public Sector Compensation Disclosure Act is included as part of the Annual Report of Manitoba Health.

Note 12 – Legal Actions

The nature of the Plan's activities is such that there may be litigation pending or in progress at any time. With respect to claims at March 31, 2003, no provision has been made in the financial statements as the final outcome of the claims is not determinable at this time.

Note 13 - Statement of Cash Flows

These financial statements do not include a Statement of Cash Flows. In the opinion of management, the Statement of Cash Flows does not provide additional disclosure.

Note 14 - Comparative Figures

Certain of the 2002 financial statement figures have been restated to be consistent with the 2003 presentation.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Members of The Manitoba Hospital
Capital Financing Authority

We have audited the balance sheet of The Manitoba Hospital Capital Financing Authority as at March 31, 2003 and the statement of revenue and expense for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 3, 2003

THE MANITOBA HOSPITAL CAPITAL FINANCING AUTHORITY

Balance Sheet
as at March 31, 2003

ASSETS	2003	2002
Current assets		
Accrued interest	$ 2,792	$ 4,924
Current portion of investments	42,000	42,000
	44,792	46,924
Investments, at cost, Schedule 1	13,000	55,000
	$ 57,792	$ 101,924

LIABILITIES		
Current liabilities		
Accrued debenture interest	$ 2,792	$ 4,924
Current portion of debentures payable (Note 3)	42,000	42,000
	44,792	46,924
Debentures payable, Schedule 2	13,000	55,000
	$ 57,792	$ 101,924

THE MANITOBA HOSPITAL CAPITAL FINANCING AUTHORITY

Statement of Revenue and Expense
for the year ended March 31, 2003

	2003	2002
Revenue		
Interest earned on investments	$ 11,084	$ 16,806
Expense		
Debenture interest	11,084	16,806
	$ 0	$ 0

THE MANITOBA HOSPITAL CAPITAL FINANCING AUTHORITY

Notes to Financial Statements
March 31, 2003

---

1. Nature of the Authority

The Manitoba Hospital Capital Financing Authority was established by The Hospital Capital Financing Authority Act in June 1972. The objectives of the Authority are:

i) to approve the issuance of securities for capital expenditure by operators of health care facilities,

ii) to assist such operators by ensuring an orderly market for the sale of securities issued by health care facilities, and

iii) to purchase securities issued by health care facilities with money borrowed by the Authority where the health care facilities could not trade their securities on the open market.

Health care facilities include hospitals, non-profit personal care homes and other designated health care related service institutions.

2. Accounting Policy

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

3. Investments and Debentures Payable

The Authority's investments in health facility debentures are entirely offset by debentures issued by the Authority to Government Agencies.

Annual principal repayments on debentures payable are as follows:

2004	$ 42,000
2005	$ 13,000

4. Financing Approvals

The Authority approved $83 million in long-term financing agreements made directly between the Province of Manitoba and various health care facilities during 2002-03 ($177 million in 2001-02).

5. Contributed Services

The Province of Manitoba provides administrative services at no charge to the Authority.

6. Statement of Cash Flows

These financial statements do not include a Statement of Cash Flows. In the opinion of management, the Statement of Cash Flows does not provide additional disclosure.

THE MANITOBA HOSPITAL CAPITAL FINANCING AUTHORITY

Schedule of Investments
as at March 31, 2003

	Interest Rate (%)	2003	2002
Serial debentures issued by:			
Selkirk Linen Services Inc.	13.625	$ 55,000	$ 97,000
Total Investments		55,000	97,000
Less: Current portion		42,000	42,000
Investments		$ 13,000	$ 55,000

THE MANITOBA HOSPITAL CAPITAL FINANCING AUTHORITY

Schedule of Debentures Payable
as at March 31, 2003

Series Number	Interest Rate (%)	Year of Maturity	2003	2002
5A	13.625	Nov. 15, 2003-2004	$ 55,000	$ 97,000
Total debentures payable			55,000	97,000
Less: Current portion (Note 3)			42,000	42,000
Debentures payable			$ 13,000	$ 55,000

MANAGEMENT REPORT

The accompanying financial statements of The Manitoba Housing and Renewal Corporation are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to July 4, 2003.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of The Manitoba Housing and Renewal Corporation are properly safeguarded.

The responsibility of the Office of the Auditor General of the Province of Manitoba is to express an independent, professional opinion on whether the financial statements of The Manitoba Housing and Renewal Corporation are fairly presented in accordance with the accounting policies stated in the notes to the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

H. Bos

Henry Bos, Director, Corporate Services

Kim Sharman, Assistant Deputy Minister

July 4, 2003

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Housing and Renewal Corporation

We have audited the balance sheet of The Manitoba Housing and Renewal Corporation as at March 31, 2003 and the statements of operations, The Manitoba Housing and Renewal Fund (Deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 4, 2003

THE MANITOBA HOUSING AND RENEWAL CORPORATION
BALANCE SHEET
MARCH 31, 2003

ASSETS

	2003	2002
Cash (note 4)	$ 89,178,758	$ 85,354,724
Accounts receivable and accruals (note 5)	17,096,779	20,623,367
Loans and mortgages receivable (note 6)	169,879,871	175,399,637
Investment in land and housing:		
Housing projects (note 7)	310,599,588	315,229,631
Housing investment (note 8)	14,310,915	15,477,139
Land development costs (note 9)	1,716,523	748,046
Land (note 10)	11,946,190	12,218,236
	338,573,216	343,673,052
	$614,728,624	$625,050,780

LIABILITIES AND FUND BALANCE

	2003	2002
Accounts payable, holdbacks and accruals	$ 28,295,889	$ 25,029,007
Provision for modernization and improvement	7,328,589	15,537,599
Deferred revenue (note 11)	2,244,224	1,626,619
Long-term debt (note 12)	532,239,841	542,510,388
Risk reserve fund (note 13)	14,285,533	13,912,048
Deferred contributions (note 13)	48,121,888	43,741,784
The Manitoba Housing and Renewal Fund (Deficit)	(17,787,340)	(17,306,665)
Contingencies (note 22)		
Commitments (note 23)		
Guarantees (note 24)		
	$614,728,624	$625,050,780

Approved by the Board of Directors:

________________ Director

H. Bo ________________ Director

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2003

	2003	2002
Revenue:		
Grants from the Province of Manitoba (note 14)	$ 25,692,948	$ 28,279,676
Contributed services (note 15)	6,206,916	6,346,700
Rental revenue (note 16)	60,223,820	59,082,098
Federal subsidy contributions	68,374,571	60,670,522
Interest:		
Loans and mortgages	17,225,789	17,665,791
Bank and other	13,992	234,931
	17,239,781	17,900,722
Sales of land - joint venture (note 9)	1,482,399	1,354,793
Other	198,223	6,794
	179,418,658	173,641,305
Expenditures:		
Housing operations (note 16)	99,547,713	95,551,448
Rental subsidies (note 17)	45,262,784	43,881,004
Grants and subsidies (note 18)	4,289,457	4,614,103
Interest expense (note 19)	17,644,092	19,628,888
Administrative services (note 15)	2,550,822	2,362,700
Gain on sale of housing projects and land	(797)	(17,567)
Provision for loss and write downs	731,465	122,548
Cost of land sales - joint venture	1,028,079	1,205,864
Repair and renovation expense (note 15)	8,308,542	5,732,737
Other	537,176	536,942
	179,899,333	173,618,667
(Deficiency) Excess of revenue over expenditures	$ (480,675)	$ 22,638

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
STATEMENT OF THE MANITOBA HOUSING AND RENEWAL FUND (DEFICIT)
YEAR ENDED MARCH 31, 2003

	2003	2002
Balance at beginning of year	$(17,306,665)	$(17,329,303)
(Deficiency) Excess of revenue over expenditures	(480,675)	22,638
Balance at end of year	$(17,787,340)	$(17,306,665)

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2003

	2003	2002
Cash provided by (used for):		
Operating activities:		
(Deficiency) Excess of revenue over expenditures	$ (480,675)	$ 22,638
Add (deduct) items not involving cash:		
Amortization	9,449,304	8,732,630
Provision for loss and write downs	731,465	122,548
Gain on sale of housing projects and land	(797)	(17,567)
Federal subsidies - housing projects	(1,466,153)	(1,389,851)
	8,233,144	7,470,398
Net change in non-cash balances related to operations:		
Accounts receivable and accruals	3,526,588	(697,305)
Accounts payable, holdbacks and accruals	3,266,882	(12,908,614)
Provision for modernization and improvement	(8,209,010)	(7,899,121)
Deferred revenue	617,605	(320,489)
Deferred contributions	4,380,104	12,026,446
Land development costs	(968,477)	349,427
Land in joint venture	167,641	166,955
Risk reserve fund	373,485	472,420
	11,387,962	(1,339,883)
Financing activities:		
Borrowings	525,262	3,540,009
Repayment of borrowings	(10,795,809)	(14,399,652)
	(10,270,547)	(10,859,643)
Investing activities:		
Additions to land and housing	(2,151,644)	-
Additions to loans and mortgages	(345,500)	(221,491)
Proceeds from sale of land and housing	69,962	19,340
Proceeds from repayment of loans and mortgages	5,133,801	3,782,419
	2,706,619	3,580,268
Increase/(Decrease) in cash	3,824,034	(8,619,258)
Cash at beginning of year	85,354,724	93,973,982
Cash at end of year	$89,178,758	$85,354,724

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2003

1. Authority

The Manitoba Housing and Renewal Corporation (MHRC) operates under the authority of The Housing and Renewal Corporation Act, being Chapter H 160 Revised Statutes of Manitoba 1987. The purposes and objects of the Act are:

a) to ensure that there is an adequate supply of housing stock in Manitoba;

b) to enhance the affordability of, and accessibility to, adequate housing for Manitobans, particularly those of low and moderate income and those with specialized needs;

c) to maintain and improve the condition of existing housing stock; and

d) to stimulate and influence the activities of the housing market to the benefit of Manitobans as a whole.

MHRC is under the management and control of a Board of Directors appointed by the Lieutenant Governor in Council. The board shall consist of not fewer than five members and not more than 13 members and the Lieutenant Governor in Council may designate one of the members of the board as chairperson and one member as vice-chairperson.

The Corporation is economically dependent on the Government of the Province of Manitoba.

These financial statements include, in note 16, the operating results of MHRC owned properties which are managed by The Manitoba Housing Authority (MHA). MHA was incorporated in 1992 as an agency of MHRC.

MHA is under the management and control of a Board of Directors who are appointed by the Minister of Family Services and Housing.

2. Significant accounting policies

a) Basis of accounting

The Corporation's financial statements are prepared using the accrual basis of accounting.

b) Loans and mortgages receivable

Loans and mortgages receivable are valued at principal amounts less an allowance for loan impairment.

c) Loan forgiveness

Loan forgiveness for forgivable loans is approved in accordance with the terms of the loan agreements. The Corporation records an asset valuation allowance equal to the amount of the loan at the time the loan is granted. As forgiveness conditions are met by the borrower, the Corporation records the annual forgiveness by reducing both the forgivable loan and the accompanying valuation allowance.

d) Allowance for loan impairment

The Corporation maintains an allowance for loan impairment, which reduces the carrying value of loans and mortgages receivable to their estimated realizable amounts. Depending on the program under which the loan or mortgage is made, estimated realizable amounts are determined with reference to the Corporation's historical loss experience on similar loans or the appraised value of the project financed by the loan or mortgage.

Specific allowances are established for individual loans and mortgages for which the estimated realizable amount is less than the carrying value. The Corporation does not provide any additional non-specific, general provision for loan impairment. The Corporation's Board of Directors has approved a policy which defines whether an individual mortgage or loan balance is to be considered impaired based on the time period that it has been in arrears.

e) Housing projects and amortization

i) Social housing projects are valued at cost less accumulated amortization.

ii) Market housing projects are valued at the lesser of cost less accumulated amortization and net realizable value.

iii) Cost includes direct construction costs, land acquisition costs and interest and other related carrying charges incurred during the period of construction.

iv) Housing projects which are declared abandoned or surplus to the needs of the Corporation are valued at the lesser of cost less accumulated amortization and net realizable value.

v) Amortization of housing projects is based on the actual principal repayment of the long-term debt. This policy is similar to that followed by Canada Mortgage and Housing Corporation (CMHC). Amortization for projects built under the Rural and Native Housing Program is based on the imputed principal repayment equivalent to that of 100% long-term debt financing with CMHC.

f) Housing investment

Housing investment is valued at cost less accumulated amortization. Annual amortization is equal to the annual principal repayment of the imputed long-term debt as determined by the terms of the Social Housing Agreement with CMHC.

g) Interest in joint venture

The interest in joint venture is recognized using the proportionate consolidation method. Proportionate consolidation is a method of accounting and reporting whereby MHRC's prorata share of each of the assets, liabilities, revenues and expenditures of the joint venture is combined on a line by line basis with similar items in MHRC's financial statements.

h) Land

Land is valued at the lower of cost and appraised value adjusted for estimated disposition costs, except for land leased to co-operatives. Cost includes acquisition costs and related carrying costs. The carrying costs of the land, which include interest, planning and development costs, grants in lieu of taxes, less revenue derived from use of undeveloped land, were capitalized to land to March 31, 1993. Effective April 1, 1993 the carrying costs are charged annually to operations. Cost for land acquired after March 31, 1993 consists of the original purchase price.

Land leased to co-operatives is valued at original cost. The Corporation incurs no liabilities or obligations with respect to the lessees' buildings situated on the land. The carrying costs of the land, net of lease revenue, are charged annually to MHRC operations.

i) Interest capitalization

Interest costs on financing related to housing projects and housing investments are capitalized to the date of completion.

j) Pension costs and obligations

Current service contributions for MHA employees are recognized as operating expenses. The Corporation has no further liability associated with the annual cost of pension benefits earned by MHA employees.

The Corporation has a liability associated with the annual cost of pension benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003 (note 25). That liability and the related recoverable amount from the Province of Manitoba are not recorded in the financial statements (note 20).

k) Contributed and administrative services

Under an agreement entered into between The Manitoba Housing and Renewal Corporation and the Department of Family Services and Housing, in 1984, the Department provides administrative services to MHRC at no cost. The value of these contributed and administrative services is recorded as revenue and expenditure.

l) Modernization and improvement

Significant, non-recurring modernization and improvement costs, which have been funded by designated revenues, have been accrued in the same period that such designated grant or subsidy revenues were approved by the funder and recorded by MHRC. As such costs are incurred, the provision for modernization and improvement is drawn down. Normal, recurring repairs and maintenance costs, which are funded by annual grant and subsidy revenues are expensed in the period in which they are incurred.

m) Financial instruments

i) Financial Risk

Financial risk is the risk to the Corporation's operations that arises from fluctuations in interest rates, and the degree of volatility of those rates. The Corporation does not use derivative instruments to reduce its exposure to interest risk. This risk is mitigated through the almost exclusive use of fixed rate terms for its mortgages and loans receivable and its long-term debt.

ii) Credit Risk

Credit risk arises from the potential that a counterparty to an agreement with the Corporation will fail to perform its obligations. The Corporation conducts an assessment of credit issues prior to committing to such agreements and it actively monitors the credit risks associated with its accounts receivable and loans and mortgages receivable on an ongoing basis.

iii) Fair Value

There is no secondary market for many of the financial assets in which the Corporation invests or for the debt it issues. These circumstances, together with the uncertainty and potentially broad range of outcomes pertaining to the future cash flows related to these items, render the calculation of fair values, with appropriate reliability, impractical.

3. Acquisition of Control of Social Housing Operations

Pursuant to the Social Housing Agreement executed by MHRC and CMHC on September 3, 1998 which took effect October 1, 1998, CMHC transferred its ownership interest in Public Housing Projects to MHRC in accordance with a Declaration of Trust, and MHRC has assumed sole responsibility for operating policy decisions relating to these projects. Previous agreements provided for the two parties to exercise joint control over operating policies. Rental subsidies provided through agreements with third parties for which MHRC has assumed responsibility are included in note 17.

4. Cash

	2003	2002
On deposit with the Minister of Finance:		
Trust deposits	$62,233,148	$58,766,618
Modernization and improvement fund	8,325,180	17,668,995
Risk reserve fund (note 13)	14,285,533	13,912,048
Mobile home loan guarantee program fund (note 24)	789,993	770,355
Security deposits	-	96,760
Noon meal program	130,807	127,390
	85,764,661	91,342,166
Bank (Indebtedness)	3,406,589	(5,995,947)
Petty cash	7,508	8,505
Cash	$89,178,758	$85,354,724

5. Accounts receivable and accruals

	2003	2002
Canada Mortgage and Housing Corporation	$ 1,250,117	$ 3,797,282
Government of the Province of Manitoba and its agencies	7,766,094	8,914,002
Rent receivables - net of allowance of $4,877,314 (2002 - $3,401,592)	1,225,593	1,100,447
Accrued interest on loans and mortgages receivable	716,876	667,244
City of Winnipeg - net of allowance of $65,097 (2002 - $125,210)	55,490	42,950
Other - net of allowance of $154,874 (2002- $57,270)	6,082,609	6,101,442
Accounts receivable and accruals	$17,096,779	$20,623,367

6. Loans and mortgages receivable

a) Composition of loans and mortgages receivable

	2003	2002
Federal/Provincial Housing:		
Private Non-Profit Housing Program	$105,542,975	$112,296,052
Rural and Native Housing Program	70,277	99,500
Urban Native Housing Program	39,799,039	41,213,346
	145,412,291	153,608,898
Market Rental Programs:		
Co-operative HomeStart Program	8,263,551	8,335,838
Co-operative Index Linked Program	9,072,876	9,385,504
Manitoba Rural RentalStart Program	577,528	589,176
Manitoba Senior RentalStart Program	5,363,198	5,470,354
	23,277,153	23,780,872
Other Programs:		
Community Residences Program	6,379,011	6,984,870
Market Homeowner Programs	275,095	352,810
Homeowner Rehabilitation Programs	444,112	312,671
Other	329,283	112,573
	7,427,501	7,762,924
	176,116,945	185,152,694
Less - allowance for loan impairment	6,237,074	9,753,057
Loans and mortgages receivable	$169,879,871	$175,399,637

Loans and mortgages receivable bear interest at various rates between 0% and 13.5% with maturities at various dates to 2024.

In addition to the loans and mortgages above, forgivable loans outstanding in the amount of $20,063,335 (2002 - $13,392,095) have been approved in accordance with the terms of the loan agreements. An asset valuation allowance equal to the amount of outstanding forgivable loans has been recorded by the Corporation.

b) Allowance for loan impairment

The allowance for loan impairment is comprised of the following specific provisions:

	2003	2002
Market rental programs	$5,990,397	$9,608,498
Other programs	246,677	144,559
	$6,237,074	$9,753,057

7. Housing projects

	2003	2002
Completed Housing Projects:		
Original cost	$405,939,995	$403,753,111
Less - financing provided by CMHC	16,040,637	17,506,790
	389,899,358	386,246,321
Less - accumulated amortization	79,299,770	71,016,690
Housing projects	$310,599,588	$315,229,631

8. Housing investment

Housing investment represents MHRC's share in social housing projects, which until October 1, 1998 were administered by CMHC and subsequently have been administered by MHRC, under the Rural and Native Housing Program.

On September 3, 1998, MHRC and CMHC executed a Declaration of Trust by which CMHC has transferred their ownership interest in cost-shared and 100% CMHC funded Public Housing projects to MHRC, as trustee. MHRC's interest in these projects will be earned over the remainder of each project's CMHC subsidy commitment period, in amounts which will correspond to the annual amortization of the assets. No increase in housing investment has been recorded by MHRC.

9. Joint venture

The Corporation contributed 179 acres of land, at appraised value, to a joint venture with Ladco Company Limited on May 11, 1989. The appraised value of the land at that time, adjusted for subsequent sales, was $2,336,065 (2002 - $2,503,706) and is included in joint venture land in note 10. The joint venture activities include the servicing, development and sale of approximately 476 acres of land in the City of Winnipeg, Manitoba. In accordance with the terms of the agreement, the Corporation has provided loan guarantees for the purposes of the joint venture development in an amount not to exceed $2,400,000 (note 24).

The following is a summary of the Corporation's pro rata share of the assets, liabilities, revenues and expenses of the Ladco Company Limited joint venture.

	2003	2002
Current Assets:		
Cash and short term investments	$ 189,762	$ 529,819
Accounts receivable from land sales	1,049,522	1,163,324
	1,239,284	1,693,143
Long Term Assets:		
Development in progress	1,716,523	748,046
Total Assets	$2,955,807	$2,441,189
Current Liabilities:		
Accounts payable and accrued liabilities	535,269	518,645
Net Assets	$2,420,538	$1,922,544
Sales of land	1,482,399	$1,354,793
Cost of land sales	860,438	1,038,909
Gross margin	621,961	315,884
Expenses:		
Interest on bank indebtedness	3,904	4,754
General	63,388	76,375
Other	56,675	44,560
Total expenses	123,967	125,689
Net income for the year	$ 497,994	$ 190,195

10. Land

	2003	2002
Under development	$ 146,000	$ 156,710
Future development or sale	7,729,733	7,823,428
Leased to co-operatives	1,734,392	1,734,392
Joint venture	2,336,065	2,503,706
Land	$11,946,190	$12,218,236

11. Deferred revenue

	2003	2002
Manitoba Housing Authority tenant prepaid rent	$1,995,304	$1,513,217
Other prepaid land lease and subsidy contribution received in advance	248,920	113,402
Deferred revenue	$2,244,224	$1,626,619

12. Long-term debt

	2003	2002
Government of the Province of Manitoba:		
Advances, convertible to long-term advances, at prime interest rates	$1,401,954	$1,066,428
Long-term advances, at interest rates from 6.125% to 13.375% maturing at various dates to 2030 and requiring annual principal and interest payments of $46,740,265 (2002 - $39,296,260)	343,650,271	350,590,555
Canada Mortgage and Housing Corporation:		
Long-term advances, at interest rates from 5.75% to 11.00% maturing at various dates to 2030 and requiring annual principal and interest payments of $15,115,477 (2002 - $15,191,114)	184,615,157	188,428,713
Mortgages payable (assumed on property acquisitions), at interest rates from 5.125% to 9.625% maturing at various dates to 2030 and requiring annual principal and interest payments of $275,215 (2002 - $254,440)	2,572,459	2,424,692
Long-term debt	$532,239,841	$542,510,388

Principal repayments on the long-term debt are estimated as follows:

2004	$ 12,945,552
2005	13,277,722
2006	14,345,643
2007	15,474,490
2008	15,864,852
Subsequent to 2008	460,331,582
	$532,239,841

13. Deferred contributions and risk reserve fund

Pursuant to the Social Housing Agreement executed by MHRC and CMHC, CMHC will pay fixed annual contributions to MHRC for individual housing projects over the remainder of the CMHC subsidy commitment period. The Agreement took effect October 1, 1998 and has a funding expiration date of August 31, 2031. The Agreement provides that a specified amount of the annual federal contributions must be applied toward housing programs, which assist low income households, as defined in the Agreement. The portion of federal contributions that may be applied toward other housing programs is similarly specified. Unexpended federal contributions are carried forward by MHRC for future use, but such contributions must be fully used, in accordance with the Agreement, by the funding expiration date of August 31, 2031.

Pursuant to the Social Housing Agreement dated September 3, 1998 between CMHC and MHRC, CMHC made a one-time payment of $12,700,000 to MHRC in 1999. This amount was provided for the purpose of mitigating future operating risks associated with MHRC's financial responsibility for housing programs transferred from CMHC pursuant to the Agreement. This amount has been recorded as a risk reserve fund and is increased by interest earned thereon and is reduced as the Corporation incurs expenses as a result of the identified risks.

14. Grants from the Province of Manitoba

	2003	2002
Department of Family Services and Housing:		
MHRC operating programs	$21,304,600	$24,022,400
MHRC administration	455,284	-
Grants and subsidies	3,411,365	3,657,528
	25,171,249	27,679,928
Grants recovered from the Department of Finance:		
School Tax Assistance for Tenants 55 Plus Program	521,699	599,748
Grants from the Province of Manitoba	$25,692,948	$28,279,676

15. Contributed and administrative services

	2003	2002
Administrative services provided by the Department of Family Services and Housing were allocated as follows:		
- included in the Statement of Operations, Administrative Services	$2,095,538	$2,362,700
- included in administration expenditure in note 16, Manitoba Housing Authority Housing Operations	1,829,100	2,047,300
- included in administration expenditure in note 16, Sponsor Managed Housing Operations	273,900	313,600
- included in Rental Subsidies, note 17	1,624,600	1,623,100
- included in Statement of Operations, Repair and renovation expense	383,778	-
Total Department of Family Services and Housing administrative services provided	$6,206,916	$6,346,700

16. Housing operations

The management and operation of all MHRC social housing projects are the responsibility of the Manitoba Housing Authority and sponsor managed groups. Their operating results are:

	Manitoba Housing Authority Managed	Sponsor Managed	2003	2002
Revenue				
Rental revenue	$48,587,881	$11,635,939	$60,223,820	$59,082,098
Expenditures				
Administration (note 15)	12,362,634	1,501,968	13,864,602	13,757,733
Property operating	31,252,960	7,375,195	38,628,155	35,582,548
Grants in lieu of taxes	9,648,938	1,519,190	11,168,128	10,054,373
Amortization and interest	30,316,313	5,570,515	35,886,828	36,156,794
	83,580,845	15,966,868	99,547,713	95,551,448
Operating loss	$34,992,964	$ 4,330,929	$ 39,323,893	$36,469,350

17. Rental Subsidies

The Corporation is obligated to provide ongoing rental subsidies under third party operating agreements.

The net rental subsidies required by these organizations are:

	2003	2002
Not for profit housing corporations	$27,008,674	$26,513,356
Co-operative housing corporations	4,068,358	3,946,284
Private landlords	4,724,036	4,728,139
Property management agreements	9,461,716	8,693,225
Net rental subsidies	$45,262,784	$43,881,004

18. Grants and subsidies

	2003	2002
Shelter Allowance for Family Renters	$ 823,979	$ 807,757
Shelter Allowance for Elderly Renters	2,587,386	2,849,771
School Tax Assistance for Tenants 55 Plus Program	521,699	599,748
Elderly & Infirm Persons Housing	155,423	169,509
Co-op Homestart Program	200,970	187,318
	$4,289,457	$4,614,103

19. Interest expense

In addition to the interest expense of $17,644,092 (2002 - $19,628,888), interest expense in the amount of $27,852,197 (2002 - $29,965,464) is included in note 16 in the amortization and interest expenditure.

20. Pension obligations

Employees of the Corporation and MHA are eligible for pensions under the Manitoba Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires MHA to contribute an amount equal to the employees' contribution to the Superannuation Fund for current services. Such payments are charged to operations as incurred and MHRC has no further liability associated with the annual cost of pension benefits earned by MHA employees.

The Corporation has a liability associated with the annual cost of pension benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003 (note 25). That liability, which is estimated at $3,669,000 and the related recoverable amount from the Province of Manitoba are not recorded in the financial statements.

Pension expense recorded for the year ended March 31, 2003 is $466,665 (2002 - $414,516).

21. Severance pay benefits

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees in The Manitoba Housing Authority. The amount of this estimated liability is determined using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 22 or 15 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Corporation's employees. Accordingly, the Corporation recorded, effective April 1, 1998, a receivable of $877,105 from the Province of Manitoba, which is an amount that is equal to the estimated liability recorded for accumulated severance pay benefits at March 31, 1998.

This receivable from the Province of Manitoba has no terms of repayment and accordingly, the amount of this receivable will remain fixed at $877,105.

The Corporation has a severance liability associated with the severance benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003 (note 25). That liability, which is estimated at $569,000 and the related recoverable amount from the Province of Manitoba are not recorded in the financial statements.

22. Contingencies

The Corporation is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Corporation. Any settlement will be recognized in the year the settlement occurs.

23. Commitments

The Corporation has the following commitments as at March 31, 2003.

a)	Housing project modernization and improvement	$3,201,915
b)	Repair and renovation expenditures	$8,607,000
c)	Grants and subsidies:	

As a result of the Social Housing Agreement dated September 3, 1998, MHRC is now fully responsible for the funding commitments of all Social Housing Projects in Manitoba. These commitments will expire on a staggered basis over the period ending 2031, concurrent with the Social Housing Agreement funding expiration date of August 31, 2031. An estimate of these commitments for each of the next five years is as follows:

2004	$19,922,200
2005	29,880,900
2006	30,487,000
2007	31,052,500
2008	31,632,500

24. Guarantees

The Corporation has guaranteed the repayment of mortgages and has issued letters of credit which guarantee the terms and conditions of land development agreements and construction contracts. The outstanding guarantees are as follows:

	2003	2002
Joint Venture Investment Guarantee (note 9)	$2,400,000	$2,400,000
Mobile Home Loan Guarantee Program	1,133,585	1,531,449
Rural Mortgage Lending Program	-	3,882
Other mortgage guarantees	807,166	807,166
Total guarantees	$4,340,751	$4,742,497

A guarantee fee of 2 1/2% is charged for each mortgage under the Mobile Home Loan Guarantee Program. The assets of the Mobile Home Loan Guarantee Program as at March 31, 2003 are $789,993 (2002 - $770,355) and are included in cash (note 4). The trust fund liability is included in accounts payable.

25. Transfer of Personnel to the MHRC

As at February 8, 2003, all staff from the Housing Division of the Department of Family Services and Housing were transferred to MHRC to support the operations of the Corporation.

26. Comparative figures

Certain comparative figures in the financial statements have been restated to conform with the presentation of the current year.

MANITOBA
TRADE AND
INVESTMENT

410-155 Carlton Street
Winnipeg, MB Canada
R3C 3H8

Phone (204) 945-2466
Fax (204) 957-1793

May 28, 2003

THE MANITOBA TRADE AND INVESTMENT CORPORATION MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the accounting policies noted in the financial statements.

To fulfil this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions and that appropriate policies are established and respected.

The statements are examined by the Auditor General of the Province of Manitoba, whose opinion is included herein. The Auditor General has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting to the Board.

Eliasson
Hugh Eliasson
Chairperson

Jack Dalgliesh
Jack Dalgliesh, C.G.A.
Financial Officer

Manitoba Trade and
Investment Corporation
An Agency of Manitoba Industry,
Trade and Mines

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Manitoba Trade and Investment Corporation

We have audited the balance sheet of the Manitoba Trade and Investment Corporation as at March 31, 2003 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 28, 2003

MANITOBA TRADE AND INVESTMENT CORPORATION
BALANCE SHEET
MARCH 31, 2003
(With Comparative Figures for 2002)

	2003	2002
ASSETS		
Current Assets:		
Cash	$ 178,144	$ 780,567
Short-term Investments (Note 3)	571,774	-
Accounts Receivable - Trade	-	54,829
Accounts Receivable - Province of Manitoba	16,638	888,977
Accrued Interest	30,257	-
Total Current Assets	796,813	1,724,373
Trust Funds:		
Provincial Nominee Program - Trust Funds (Note 4)	8,100,551	-
TOTAL ASSETS	8,897,364	1,724,373
LIABILITIES AND RETAINED EARNINGS		
Current Liabilities:		
Accounts Payable - Trade	41,747	22,507
Accounts Payable - Province of Manitoba	131	902,967
Deferred Revenue (Note 5)	38,488	97,920
Total Current Liabilities	80,366	1,023,394
Long-term Liabilities:		
Operating Advance Payable (Note 6)	500,000	500,000
Trust Liabilities:		
Provincial Nominee Program - Trust Fund (Note 4)	8,100,551	-
TOTAL LIABILITIES	8,680,917	1,523,394
RETAINED EARNINGS	216,447	200,979
TOTAL LIABILITIES AND RETAINED EARNINGS	$ 8,897,364	$ 1,724,373

See accompanying notes to financial statements.

MANITOBA TRADE AND INVESTMENT CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2003
(With Comparative Figures for 2002)

		2003		2002
Revenue:				
Interest (Note 4)	$	103,354	$	-
Participation Fees (Note 2)		177,928		169,678
Contract Fees Recoveries - Industry, Trade and Mines		551,744		444,525
Licence Fees Revenue		-		75,184
Expenses Recovered from Industry, Trade and Mines - Faneuil ISG Inc.		-		888,977
Total Revenue		833,026		1,578,364
Expenses:				
Program (Note 2)		226,789		144,367
Audit Fees		7,065		8,520
Contract Fees		583,534		434,696
Guarantee Fees		-		96,977
Interest		-		792,000
Miscellaneous		170		442
Licence Fees		-		75,184
Total Expenses		817,558		1,552,186
Net Income for the Year		15,468		26,178
Retained Earnings, beginning of year		200,979		174,801
Retained Earnings, end of year	$	216,447	$	200,979

See accompanying notes to financial statements.

MANITOBA TRADE AND INVESTMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2003
(With Comparative Figures for 2002)

	2003	2002
Operating Activities		
Net Income for the year	$ 15,468	$ 26,178
Changes in operating assets and liabilities		
Accounts receivable - trade	54,829	(47,262)
Accounts receivable - Province of Manitoba	872,339	1,414,226
Accounts receivable - other	-	70,622
Accrued Interest	(30,257)	-
Accounts payable - trade	19,240	6,688
Accounts payable - Province of Manitoba	(902,836)	(1,631,530)
Deferred revenue	(59,432)	53,262
Net cash flow to operating activities	(30,649)	(107,816)
Investing Activities:		
Decrease in long-term investment - Faneuil ISG Inc.	-	1
Net cash flow from investing activities	-	1
Financing Activities:		
Increase in Funding Commitment from the Province of Manitoba	-	24,244,242
(Decrease) in Loans Payable to the Province of Manitoba	-	(24,244,242)
Net cash flow from financing activities	-	-
Net decrease in cash	(30,649)	(107,815)
Cash, beginning of year	780,567	888,382
Cash and short-term investments, end of year	$ 749,918	$ 780,567

All short-term investments have terms of 90 days or less

See accompanying notes to financial statements.

1. Nature of Operations and Economic Dependence

The Manitoba Trade and Investment Corporation (the Corporation) was formed by an Act of Legislation in 1974. The object of the Corporation is to encourage, develop and increase Manitoba exports and trade. The Corporation's primary emphasis is to connect Manitoba businesses with emerging export opportunities.

The Corporation is economically dependent on the Department of Industry, Trade and Mines of the Government of Manitoba as all project shortfalls and deficits incurred by the Corporation are recovered from the Department.

2. Significant Accounting Policies

a. Basis of Presentation

The Corporation's financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b. Participation Fees and Program Expenses

Participation Fees and Program Expenditures are recognized as revenue or expense in the same period that the shows, seminars and projects sponsored by the Corporation are actually held. Fees received in advance of event days are reflected as deferred revenue.

c. Contributed Services

During the year, the Department of Industry, Trade and Mines provided office space and other administrative services to the Corporation at nil cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

d. Use of Estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

3. Short-Term Investments

Short-term investments are carried at cost which approximates market. Funds available for investment are invested with the Province of Manitoba.

4. Trust Assets/Liabilities - Provincial Nominee Program

The Corporation and the Manitoba Department of Labour and Immigration operate a program known as the Provincial Nominee Program for Business, which offers individuals who wish to immigrate to the Province of Manitoba to establish and operate a business the opportunity to obtain a nominee certificate. During the 2003 fiscal year, the Corporation first entered into agreements with qualified immigrants whereby the immigrants committed to invest specified amounts to establish approved businesses in Manitoba within specified periods of time. As evidence of their commitments, the immigrants are required to deposit $75,000 (formerly $50,000) with the Corporation. These deposits are held in trust by the Corporation and are refundable to the immigrants based on the satisfaction of the conditions set out in the agreements. The final decision as to admission to Canada for permanent residence is made by the Government of Canada. In the event that nominees are not granted permanent residency visas by the Government of Canada, the Corporation also refunds the deposits. The Corporation invests the deposits, retains all interest income earned on the deposits and, should immigrants fail to satisfy the conditions of the agreements, the Corporation also has the right, under the agreements, to retain the deposits.

At March 31, 2003, deposits held in trust under the Provincial Nominee Program and invested with the Province of Manitoba totaled $8,100,551. Interest earned on these deposits during the year and retained by the Corporation totaled $90,365. No deposits were retained during the year.

5. Deferred Revenue

Deferred revenue represents unspent resources externally restricted for specific projects. Changes in the deferred revenue balance are as follows:

	2003 $	2002 $
Balance, beginning of year	97,920	28,290
Less amount recognized as revenue in the year	(71,408)	(16,315)
Add amounts received and deferred during the year	11,976	85,945
Balance, end of year	38,488	97,920

6. Operating Advance Payable

The Corporation has a $500,000 non-interest bearing working capital advance from the Province of Manitoba. It is payable on demand. The Operating Advance Payable is classified as long-term because management does not expect to repay the advance in the next fiscal year.

7. Contract Fees/Recoveries

The Corporation employs a number of staff on contract. The costs of these contracts, except for contract fees related to the Provincial Nominee Program, are recovered from the Province of Manitoba via the Department of Industry, Trade and Mines.

8. Financial Instruments

The carrying amounts of current assets and liabilities are a reasonable estimate of their fair value because of the short-term maturity of these instruments.

9. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

The Manitoba Water Services Board

Management Report

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the accounting policies noted in the financial statements. The statements are examined by the Provincial Auditor of the Province of Manitoba, whose opinion is included herein.

To fulfill this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions, and that appropriate policies and procedures are established and respected.

The Provincial Auditor has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting of the Board.

R. Menon, P.Eng.
General Manager

C Brigden
C. Brigden
Financial Officer

June 19, 2003

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of The Manitoba Water Services Board

We have audited the balance sheet of The Manitoba Water Services Board as at March 31, 2003 and the statements of operating revenues and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 19, 2003

The Manitoba Water Services Board

Exhibit A

Balance Sheet

as at March 31, 2003

ASSETS	2003	2002
Current assets		
Cash	$ 2,276,761	$ 147,000
Accounts receivable	6,820,399	4,471,606
Prepaid Supplies	70,054	81,607
Current portion, Construction in progress (Note 4)	1,539,740	3,347,181
Accrued interest	49,402	40,853
Current portion of debentures receivable	316,992	334,481
	11,073,348	8,422,728
Long-term Construction in Progress (Note 4)	1,855,623	1,822,922
Debentures receivable from municipalities (Note 5)	465,705	782,697
Capital assets (Note 6)	127,268	174,350
	$ 13,521,944	$ 11,202,697

LIABILITIES	2003	2002
Current liabilities		
Accounts payable and accrued charges	$ 8,156,890	$ 5,865,298
Advances from the Province of Manitoba payable on demand	5,100,000	3,800,000
Current portion of long-term debt	119,647	109,131
Infrastructure Renewal - Whitemud Conservation District (Note 3)	600,602	626,545
Infrastructure Renewal - Pembina Valley (Note 3)	5,000	-
Infrastructure Renewal - Conservation Districts (Note 3)	-	450,000
	13,982,139	10,850,974
Long-term debt (Note 7)		
Advances from the Province of Manitoba	422,521	542,168
Funds retained (Notes 8 and 16)	(982,716)	(290,445)
Interest adjustment fund account (Note 9)	100,000	100,000
	(882,716)	(190,445)
	$ 13,521,944	$ 11,202,697

APPROVED BY THE BOARD

The Manitoba Water Services Board

Exhibit B

Statement of Operating Revenues and Expenditures

for the year ended March 31, 2003

	2003	2002
Revenues		
Sale of water	$ 1,340,017	$ 1,231,594
Administrative expenses paid by the Province of Manitoba (Note 10)	1,879,484	1,852,447
Interest	149,214	162,097
Total revenues	3,368,715	3,246,138
Expenditures		
Direct expenditures for water supply plants		
Interest - Advances payable on demand	227,154	168,021
- Long-term debt	71,485	74,150
Less: Interest allocated to new construction	(337,218)	(167,908)
	(38,579)	74,263
Chemicals	62,407	54,125
Amortization	41,992	41,992
Heat, telephone, light and power	234,305	220,070
Professional services	1,020,949	1,021,350
Salaries and benefits	254,841	296,117
Repairs and maintenance	125,730	90,214
Administrative expenses (Note 10)	1,879,484	1,852,447
Total expenditures	3,581,129	3,650,578
Deficiency of operating revenues over expenditures	(212,414)	(404,440)
Funds retained, beginning of year	(290,445)	468,834
Plant surplus transferred to municipalities on disposition	(479,857)	(354,839)
Funds retained, end of year (Note 8)	$ (982,716)	$ (290,445)

The Manitoba Water Services Board **Exhibit C**

Statement of Cash Flows

for the year ended March 31, 2003

	2003	2002
Cash provided by (used for):		
Operating activities		
Excess (deficiency) of operating revenues over expenditures	$ (212,414)	$ (404,440)
Expenditure not involving cash - amortization	41,992	41,992
	(170,422)	(362,448)
Change in accounts receivable	(2,348,793)	(792,896)
Change in prepaid supplies	11,553	(14,657)
Change in accounts payable and accrued charges	2,291,592	1,386,096
Change in accrued interest	(8,549)	11,027
Cash provided by (used for) operating activities	(224,619)	227,122
Financing activities		
Advances received	17,600,000	8,000,000
Advances repaid	(16,409,131)	(5,299,539)
Debentures receivable principal recoveries	334,481	309,374
Contribution received - Infrastructure	5,000	950,000
Infrastructure Expenditure	(475,942)	(343,943)
Cash provided by (used for) financing activities	1,054,408	3,615,892
Investing activities		
New construction costs	(45,175,130)	(22,698,993)
Funding recovered from:		
Province of Manitoba	10,768,603	9,912,488
Municipalities	36,181,267	9,237,569
Decrease (increase) in construction in progress	1,774,740	(3,548,936)
Capital asset disposals	5,090	-
Plant surplus transferred to municipalities on disposition	(479,858)	(354,839)
Cash provided by (used for) investing activities	1,299,972	(3,903,775)
Increase (Decrease) in cash	2,129,761	(60,761)
Cash, beginning of year	147,000	207,761
Cash, end of year	$ 2,276,761	$ 147,000

Interest paid during the year ended March 31 amounted to $289,961 (2002 - $240,419)

The Manitoba Water Services Board

Notes to Financial Statements

for the year ended March 31, 2003

1. NATURE OF ORGANIZATION

The Manitoba Water Services Board was established in July 1972 under *The Manitoba Water Services Board Act* to assist in the provision of water and sewage facilities to the residents of rural Manitoba. The Board owns and operates water supply plants in the Province, installs or upgrades water and sewage facilities in Manitoba communities, constructs area water pipelines for agricultural and drought proofing purposes and develops farm water sources.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared using Canadian generally accepted accounting principles. Operating results of all water supply plants operated by the Board are reflected on an aggregate basis in the Statement of Operating Revenues and Expenditures. Separate equity accounts are maintained for each plant operated by the Board (Note 8).

(b) Capital assets

Capital assets represent water supply plants owned by the Board. They are recorded at cost and amortization is calculated on a straight-line basis over the following terms:

Plants constructed prior to January 1, 1972	equipment	18 years
	buildings	35 years
Plants constructed after January 1, 1972	equipment	20 years
	buildings	20 years

(c) Revenue recognition

Revenue from sale of water is recognized in the period when consumed by the town or municipality.

(d) Administrative expenses paid by the Province of Manitoba

Administrative expenses are paid by the Province of Manitoba on behalf of the Board and recorded at fair value in the financial statements.

(e) Pension costs and obligations

The Board's employees are eligible for membership in the provincially-operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is recorded in the financial statements related to the effects of participation in the pension plan by the Board and its employees.

3. INFRASTRUCTURE RENEWAL

The Board maintains an infrastructure renewal reserve account for the Whitemud Conservation District to be used over the next ten years for the Province's 75% contribution of the cost of replacing aging waterway bridges and crossings. The Whitemud Conservation District will assume responsibility for the Provincial waterway infrastructure at the end of the agreement. The Board is now also maintaining an infrastructure reserve account to be utilized only for Capital (infrastructure) construction works for Cooks Creek, Turtle River, and the Whitemud Conservation Districts as well as a separate reserve account for the Pembina Valley Conservation District.

4. CONSTRUCTION IN PROGRESS

	2003	2002
Balance, beginning of year	$ 5,170,103	$ 1,621,167
New construction costs	45,175,130	22,698,993
	50,345,233	24,320,160
Funding recovered from:		
Municipalities	36,181,267	9,237,569
Province of Manitoba	10,768,603	9,912,488
	46,949,870	19,150,057
Balance, end of year	3,395,363	5,170,103
Less: current portion	1,539,740	3,347,181
Long-term Construction in Progress	$ 1,855,623	$ 1,822,922

5. DEBENTURES RECEIVABLE FROM MUNICIPALITIES

Prior to April 1985, the Board financed capital construction costs through long-term debt at fixed interest rates with the Province of Manitoba and the Canada Mortgage and Housing Corporation. Municipalities financed the municipal share of capital construction costs by issuing debentures to the Board. The debentures were issued in amounts and at fixed interest rates sufficient to discharge the municipalities' share of the Board's corresponding long-term debt financing. Since April 1985, the Board has recovered the municipal share of capital construction costs on a current basis.

Schedule of Debentures Receivable from Municipalities:

Year of Maturity	Annual Payment Date	Interest Rate(%)	2003	2002
2002	December 31	13.125	$ -	$ 51,034
2003	December 31	12.625	58,322	110,107
Subtotal (carried forward)			$ 58,322	$ 161,141

5. DEBENTURES RECEIVABLE FROM MUNICIPALITIES (continued)

Year of Maturity	Annual Payment Date	Interest Rate(%)	2003	2002
Subtotal (brought forward)			$ 58,322	$ 161,141
2004	December 31	12.750	333,150	472,036
2005	October 31	10.950	202,605	257,270
2006	October 31	9.800	113,915	137,323
2006	October 31	8.000	74,705	89,408
Total debentures receivable			782,697	1,117,178
Less: current portion			316,992	334,481
Debentures receivable beyond one year			$ 465,705	$ 782,697

6. CAPITAL ASSETS

	2003	2002
Land and easements	$ 18,075	$ 23,165
Buildings	869,895	1,351,253
Less accumulated amortization	760,702	1,200,068
	109,193	151,185
Equipment	277,441	474,900
Less accumulated amortization	277,441	474,900
Total capital assets	$ 127,268	$ 174,350

7. LONG-TERM DEBT

Year of Maturity	Annual Payment Date	Interest Rate(%)	2003	2002
Advances from the Province of Manitoba:				
2004	March 31	9.250	$ 3,916	$ 7,501
2006	October 31	9.800	90,900	108,790
2007	March 31	9.625	430,889	516,050
2007	October 31	9.400	16,463	18,958
Total advances payable			542,168	651,299
Less: current portion			119,647	109,131
Advances payable beyond one year			$ 422,521	$ 542,168

The Board has the right at any time to repay in whole or in part the advances from the Province of Manitoba.

The aggregate amount of payments required in each of the next five years to meet debt retirement provisions are:

2004	$ 119,647
2005	$ 126,898
2006	$ 139,143
2007	152,570
2008	$ 3,909

8. FUNDS RETAINED

Funds retained consist of accumulated excess revenues over expenditures pertaining to the water supply plants owned and operated by the Board for the benefit of municipalities and pertaining to plants operated by the Board under agreements with municipalities. Separate equity accounts are maintained for each plant operated by the Board. Municipalities are responsible for any deficit balances and are given credit for surplus balances whenever plant operating responsibilities are transferred to the municipalities.

Funds retained also include the gain on the sale of the Red River Regional Water Supply System.

8. FUNDS RETAINED (continued)

Funds retained consist of the following:

	No.	2003 Amount	No.	2002 Amount
Plants owned by the Board				
Plants with a deficit	6	$ (1,459,790)	5	$ (1,099,769)
Plants with a surplus	4	162,472	9	489,761
	10	(1,297,318)	14	(610,008)
Plants owned by Municipalities				
Plants with a surplus	1	9,785	1	13,742
Total funds retained, water supply plants	11	(1,287,533)	15	(596,266)
Gain on Sale of the Red River Regional Water Supply System		304,817		305,821
Total funds retained		$ (982,716)		$ (290,445)

Subsequent to year end, one Water Treatment Plant has been transferred to the R.M. of Strathcona (Belmont). Surplus funds of approximately $62,700 will be released from funds retained during 2003/2004.

9. INTEREST ADJUSTMENT FUND ACCOUNT

The Board allocates interest costs to construction projects and to the operations of water supply plants at a rate comparable to the Board's cost of borrowing. The interest allocated and the actual net interest cost incurred by the Board are recorded in the Interest Adjustment Fund Account. Board policy is to maintain a balance of $100,000 in the Interest Adjustment Fund Account to absorb any shortfall in the allocation of actual net interest costs for the year. Interest costs were fully allocated for both the current and the preceding year.

10. ADMINISTRATIVE EXPENSES PAID BY THE PROVINCE OF MANITOBA

Administrative expenses paid by the Province of Manitoba and included in expenditures are as follows:

	2003	2002
Professional services	$ 20,020	$ 13,076
Salaries and benefits	1,535,967	1,506,129
Telephone and utilities	22,968	26,321
Travel	13,145	10,795
Rental for office premises	141,151	137,472
Other administrative	146,233	158,654
	$ 1,879,484	$ 1,852,447

11. COMMITMENTS

	2003	2002
The Board has commitments as follows:		
Signed agreements and offers for construction of sewer and water systems for municipalities and cooperatives.	$ 33,445,075	$ 23,364,375
These commitments are expected to be funded as follows:		
Subsidization of construction costs - Province of Manitoba	$ 10,576,000	$ 8,220,200
Recovery of construction costs - Municipalities and Cooperatives	22,869,075	15,144,175
	$ 33,445,075	$ 23,364,375

The Board recovers construction costs on a current basis from municipalities and cooperatives through funds provided by the Province of Manitoba under *The Loan Act*. As at March 31, 2003, the Province had unused authority of $32,499,900 under *The Loan Act, 2002* to provide this financing to the Board for the construction of municipal sewer and water facilities on behalf of municipalities and cooperatives.

12. CONTINGENCIES

The Board is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Board. Any settlement will be recognized in the year the settlement occurs.

13. RELATED PARTY TRANSACTIONS

The Board is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Board enters into transactions in the normal course of operations and they are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

14. USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

15. FINANCIAL INSTRUMENTS

Fair Value

The carrying amounts of cash, accounts receivable, accrued interest, the current portion of debentures receivable, accounts payable, accrued charges, advances from the Province of Manitoba payable on demand, and the current portion of long term debt reported on the balance sheet approximate their fair market value due to their short-term nature.

Debentures receivable and long-term debt are estimated using public quotations or discounted cash flow analysis, based on current corresponding borrowing rates for similar types of borrowing arrangements. They are not materially different from their carrying value.

Credit Risk

The Board, in the normal course of business, is exposed to credit risk from the rural municipalities it serves. The Board's financial assets that are exposed to credit risk consist primarily of accounts receivable and debentures receivable.

Accounts receivable are primarily short-term receivables from rural municipalities. Debentures receivable are long-term receivables from Rural Municipalities which have fixed interest rates and repayment terms. Credit evaluations are done for each Rural Municipality.

Interest Rates

The Board is not exposed to significant interest rate risk due to the short term nature of the current asset and current liabilities, and the fact that its debentures receivable and long-term debt are at fixed interest rates.

16. ECONOMIC DEPENDENCY

The Board is economically dependent on the Province of Manitoba.

PUBLIC SCHOOLS FINANCE BOARD

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to October 23, 2002. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information. These internal controls also provide for the safeguarding of the Board's assets.

The responsibility of the Auditor General and his staff is to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Board has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

On Behalf of Management

Steve Power, CMA

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba

We have audited the balance sheet of The Public Schools Finance Board as at June 30, 2002 and the statement of revenue and expenditure and education support fund for the year then ended. These financial statements reflect the education program costs administered through the Public Schools Finance Board and the funding provided for this program from the Department of Education and Youth and from municipal corporations. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
October 9, 2002

THE PUBLIC SCHOOLS FINANCE BOARD

Balance Sheet

As at June 30, 2002

	2002	2001
	(in thousands of dollars)	
ASSETS		
Cash	$ 2,312	$ 2,643
Funds on deposit with the Province of Manitoba	180	145
Accounts Receivable:		
Province of Manitoba	4,018	15,703
Municipal corporations - education support levy	120,902	124,670
Other	236	857
	$ 127,648	$ 144,018
LIABILITIES AND EDUCATION SUPPORT FUND		
Support payable to school divisions	$ 2,789	$ 4,265
Accrued interest	1,114	2,554
Notes payable on demand, at bank prime, Province of Manitoba	121,074	135,257
Other payables	120	102
	125,097	142,178
Education Support Fund	2,551	1,840
	$ 127,648	$ 144,018

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Revenue and Expenditure and Education Support Fund for the year ended June 30, 2002

	2002	2001
	(in thousands of dollars)	
Revenue:		
Province of Manitoba Schools Finance Program	$ 600,859	$ 597,901
Municipal corporations, education support levy	203,881	206,157
Sale of school properties and miscellaneous revenue	3	8
	804,743	**804,066**
Expenditure:		
Operational support program (Note 3)	735,969	730,602
Capital support program (Note 4)	64,616	67,231
Administrative and other expenses (Note 5)	3,447	5,929
	804,032	**803,762**
Excess of revenue over expenditure	**711**	**304**
Education Support Fund		
Balance, beginning of year	1,840	1,536
Balance, end of year	**$ 2,551**	**$ 1,840**

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Cash Flows

for the year ended June 30, 2002

	2002	2001
	(in thousands of dollars)	
Cash Flow Provided by (Used in) Operating Activities:		
Excess of revenue over expenditure for the year	$ 711	$ 304
Changes in working capital:		
Province of Manitoba receivable	11,685	(893)
Education Support Levy receivable	3,768	(2,428)
Other receivables	621	1,530
Support payable to school divisions	(1,476)	(344)
Accrued interest	(1,440)	193
Notes payable	(14,183)	2,574
Other payables	18	(2)
Net Increase/(Decrease) in Cash for the Year	(296)	934
Cash - Beginning of Year	2,788	1,854
Cash - End of Year	**$ 2,492**	**$ 2,788**
Consisting of:		
Cash	2,312	2,643
Funds on Deposit with Province of Manitoba	180	145
	$ 2,492	$ 2,788

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements

As at June 30, 2002

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1. Nature of the Board's Operations

The Public Schools Finance Board was established by the Public Schools Finance Board Act in April, 1967.

The Board is responsible for receiving all monies paid to the Education Support Fund for the financing of public schooling in Manitoba. It administers the Capital Support Program including the determination and the disbursement of all capital grants provided to Manitoba school divisions under the Program. The Board also issues payments to Manitoba school divisions under the Operational Support Program in amounts as determined by the Minister of Education and Youth.

The Public Schools Act and its Regulations govern the Education Support Fund.

2. Significant Accounting Policies

(a) The accounts of the Board are maintained in accordance with Canadian generally accepted accounting principles, except for the debt servicing support, which is expensed on a cash basis.

(b) The education support levy is assessed against municipal corporations on a calendar year basis. The Board applied 40% of the 2001 levy to the July to December period and 60% of the 2002 levy to the January to June period.

(c) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(d) The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of the fair value because of the short period to maturity of those instruments.

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements

As at June 30, 2002

3. Operational Support Program

	2002	2001
	(in thousands of dollars)	
Support for Recognized Expenditures	$ 377,457	$ 387,550
Occupancy	77,811	76,401
Level I - Special needs	44,745	44,029
Counselling and Guidance	9,307	9,315
Library Services	15,769	16,161
Professional Development	5,702	5,253
Transportation	38,025	37,237
Board and Room	861	808
Special Needs	57,935	53,867
Technology (Vocational) Education	7,553	7,455
English as a Second Language	2,518	2,575
English Language Enrichment for Native Students	5,528	5,158
Heritage Language	239	220
French Language Programs / Instruction	5,657	5,184
Programme d'accueil	330	330
Small Schools	1,907	1,947
Curricular Materials	8,849	9,156
Students at Risk	12,209	11,179
Early Identification	249	249
Increasing/Decreasing Enrolment	1,399	2,657
Remoteness Allowance	2,852	2,340
Red River Technical Vocational Coordinator	0	55
New School	0	135
Supplementary Support	41,583	34,399
Early Literacy Intervention	5,689	5,689
Information Technology	7,079	7,457
Early Behaviour Intervention	2,000	2,000
Early Childhood Development Initiative	559	0
Day's Schools Closed	(6)	0
Adjustment of previous years' support to school divisions from estimated to actual	47	(331)
Miscellaneous (Pipeline)	(84)	(72)
Vocational Equipment Replacement	2,200	2,200
	$ 735,969	$ 730,602

4. Capital Support Program

	2002	2001
	(in thousands of dollars)	
Debt Servicing	$ 59,326	$ 57,383
Other Capital Projects	5,290	9,848
	$ 64,616	$ 67,231

As at June 30, 2002 the approved outstanding debenture debt of school divisions was $421,584,031 (2001 - $395,910,565). The Board has not, however, assumed legal liability related to the repayment of such long-term debt and, therefore, this amount is not reflected in the financial statements.

During the course of the year, school divisions raised an additional $50,055,000 to finance capital expenditures (2001 - $45,952,000) by the issuance of debentures purchased by the Minister of Finance.

5. Administrative and other expenses

	2002	2001
	(in thousands of dollars)	
Board Administration:		
Board members' indemnities	$ 84	$ 76
Staff salaries	618	566
Professional services	60	114
Service Agreement	169	169
Meetings and travel	44	50
Printing, stationery, postage and supplies	42	41
Desktop Management	40	42
Computers, software and minor equipment	6	4
Telephone and fax	11	12
Rent	36	36
Total Board Administration Expenses	1,110	1,110
Interest charges on notes payable to the Province of Manitoba	2,337	4,819
	$ 3,447	$ 5,929

6. Commitments

As at June 30, 2002, the Board had commitments of $998,895 (2001 - $806,898). The amount of $998,895 as at June 30, 2002 (2001 - $806,898) is committed from the Education Support Fund Balance. Effective with the 2001/2002 year, structural projects (formerly part of the cash program) became part of the debentured capital program.

7. Related Party Transactions

The Board is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporation. The Board enters into transactions with these entities in the normal course of business.

8. Pension Costs and Obligations

The Board's employees are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, the Board reflects no provision in the financial statements relating to its participation in the pension plan.

Statement of Management's Responsibility

The financial statements are the responsibility of management and have been prepared in accordance with generally accepted accounting principles and policies as stated in Note 2 to the financial statements. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements incorporate management's best judgment regarding all necessary estimates due to dependency on subsequent events.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that the financial information produced is relevant and reliable.

The financial statements have been approved by the Board of Governors who have overall responsibility for their content. The Board of Governors is assisted in this responsibility by its Audit Committee, which consists of governors not involved in the daily operation of the College.

The independent firm of Deloitte & Touche, LLP, Chartered Accountants has been appointed to render an audit opinion on these financial statements.

J. A. Thachuk, CA
President

C. M. F. Rushton, CA
Treasurer and Chief Financial Officer

Deloitte & Touche LLP
360 Main Street, Suite 2300
Winnipeg, Manitoba R3C 3Z3
Canada

Tel: (204) 942-0051
Fax: (204) 947-9390
www.deloitte.ca

Deloitte & Touche

AUDITORS' REPORT

To the Board of Governors of
Red River College

We have audited the balance sheet of Red River College as at June 30, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
October 17, 2002

RED RIVER COLLEGE
Balance Sheet
(in thousands)
June 30, 2002

	2002	2001
ASSETS		
CURRENT		
Cash and short-term investments (Note 3)	$ 4,706	$ 2,293
Accounts receivable	5,045	3,663
Inventories	712	1,063
Prepaid expenses (Note 4)	1,551	1,457
	12,014	8,476
DUE FROM PROVINCE OF MANITOBA	9,253	9,253
CAPITAL ASSETS (Note 5)	18,393	11,782
	$ 39,660	$ 29,511
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	$ 14,733	$ 13,643
Current portion of capital leases (Note 7)	674	543
Deferred revenue	4,063	3,844
	19,470	18,030
OBLIGATIONS UNDER CAPITAL LEASE (Note 7)	401	633
DEFERRED CONTRIBUTIONS (Note 8)	2,144	1,267
DEFERRED CAPITAL CAMPAIGN CONTRIBUTIONS (Note 9)	3,028	2,732
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 10)	10,937	4,040
	35,980	26,702
NET ASSETS		
Net assets invested in capital assets (Note 11)	3,353	3,834
Net assets restricted for endowments (Note 12)	2,928	1,835
Net assets internally restricted (Note 12)	315	175
Unrestricted net assets	(2,916)	(3,035)
	3,680	2,809
	$ 39,660	$ 29,511

APPROVED BY THE BOARD OF GOVERNORS

.... Chair

.... Vice-Chair

RED RIVER COLLEGE
Statement of Operations
(in thousands)
Year Ended June 30, 2002

	Budget 2002 (unaudited - see Note 16)	Actual 2002	Actual 2001
REVENUE			
Academic training fees	14,665	$ 15,014	$ 14,221
Grants and reimbursements	47,207	47,644	43,121
Contract training	719	1,058	1,806
International education	528	980	457
Continuing education	6,228	6,674	6,295
Sundry and other revenue	9,437	8,407	8,380
(Loss) Gain on disposal of assets	-	(3)	7
Capital revenue	1,307	-	-
Amortization of deferred contributions	-	2,144	1,958
	80,091	81,918	76,245
EXPENSES			
Instruction	46,350	48,043	45,080
Library	1,420	1,438	1,346
Administration & General	15,365	13,243	13,534
Physical Plant	11,142	10,826	10,079
Student Services	4,077	4,441	3,860
Capital purchases (regular college)	1,307	-	-
Amortization of capital assets	430	3,162	2,911
	80,091	81,153	76,810
Excess of revenue (expenses) over expenses (revenue) before other items	-	765	(565)
OTHER ITEMS			
Net proceeds from property tax assessment	-	-	928
Net increase in accrued vacation and severance liability	-	(948)	(518)
	-	(948)	410
EXCESS OF EXPENSES OVER REVENUE	$ -	$ (183)	$ (155)

RED RIVER COLLEGE
Statement of Changes in Net Assets

(in thousands)

Year Ended June 30, 2002

	Invested in Capital Assets	Restricted for Endowments	Internally Restricted	Unrestricted	Total 2002	Total 2001
Balance, beginning of year	$ 3,834	$ 1,835	$ 175	$ (3,035)	$ 2,809	$ 2,297
Endowment gifts	-	1,054	-	-	1,054	667
Transfer into endowed gifts	-	39	-	(39)	-	-
Transfer into internally restricted	-	-	140	(140)	-	
Excess of expenses over revenue	(1,447)	-	-	1,264	(183)	(155)
Investment in capital assets (Note 11)	966	-	-	(966)	-	-
Balance, end of year	$ 3,353	$ 2,928	$ 315	$ (2,916)	$ 3,680	$ 2,809

RED RIVER COLLEGE
Statement of Cash Flows
(in thousands)
Year Ended June 30, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess of expenses over revenue	$ (183)	$ (155)
Amortization of capital assets	3,162	2,911
Amortization of deferred capital contributions	(2,144)	(1,958)
Increase in deferred other contributions	1,302	133
Loss (gain) on disposal of capital assets	3	(7)
Net change in non-cash working capital items (Note 13)	184	(467)
Change in amount due from Province of Manitoba	-	22
	2,324	479
FINANCING AND INVESTING ACTIVITIES		
Purchase of capital assets	(9,226)	(4,864)
Purchase of capital assets financed by capital lease	501	1,560
Endowment gifts received	1,055	667
Contributions received for capital purposes	7,876	1,989
Capital campaign contributions	485	1,666
Repayment of obligation under capital lease	(602)	(384)
Proceeds on disposal of capital assets	-	6
	89	640
NET INCREASE IN CASH AND SHORT TERM INVESTMENTS	2,413	1,119
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	2,293	1,174
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$ 4,706	$ 2,293

1. DESCRIPTION

Red River College operates under the authority of The Colleges Act, Chapter C150.1 of the Continuing Consolidation of the Statutes of Manitoba. This legislation, which established the College as a board-governed institution on April 1, 1993, allowed for the transfer of assets, liabilities, investment in capital assets and contributed surplus from the Province of Manitoba.

The main campus of the College, located at 2055 Notre Dame Avenue, Winnipeg, Manitoba is owned by the Province of Manitoba. The College does not pay any rent for the use of the campus but is responsible for payment of property taxes and certain facilities costs under the government's Accommodation Cost Recovery System (ACRS). The College has a memorandum of understanding for the continued use of this campus.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Inventories

Inventories of merchandise held by the College bookstore, printshop and food services are valued at the lower of cost and net realizable value.

(b) Capital assets

i) Assets acquired post-board governance are capitalized at their purchase price. Donated assets are capitalized at their market value at the time of the donation. The value of items transferred to College ownership at board-governance was determined based on the Transfer Agreement by Order in Council dated November 16, 1994 from the Province of Manitoba. These assets were transferred at their agreed upon net value at the time of transfer, April 1, 1993. Based on the amortization policy set out below, these assets have been fully depreciated.

ii) Equipment and furniture are amortized over their estimated useful lives, at a rate of 20% straight line based on original cost.

iii) Computer equipment is recorded at cost and amortized on a straight line basis at 33% per annum.

iv) Major renovations are recorded at cost and are amortized on a straight line basis at 5% per annum.

v) Vehicles are recorded at cost and are amortized on a straight line basis at 20% per annum.

vi) Leasehold improvements are being amortized on a straight line basis over the terms of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Capital assets (continued)

vii) Aircraft are recorded at cost and are amortized on a straight line basis at 5% per annum.

viii) Library holdings are accounted for using the base stock method. Under this method, the value of the base stock is capitalized, but subsequent purchases are not capitalized because it has been determined that annual additions are approximately equal to reductions.

(c) Donations

Donations are recorded when received. Donations of materials and equipment are recorded at fair market value.

(d) Revenue recognition

The College follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

The unearned portion of tuition fees and contractual training revenue received but not earned until the next fiscal year is recorded as deferred revenue.

(e) Financial instruments

i) Credit risk

Credit risk is the risk to the College's earnings arising from the risk that a counter party to a transaction is unable to satisfy its obligations to the College. Credit risk is mitigated by the fact that the College's accounts receivable are comprised of a large number of comparatively small individual balances.

3. CASH AND SHORT TERM INVESTMENTS

	2002	2001
Bank Indebtedness	$ (4,536)	$ (505)
Cash	31	34
Short term investments	9,211	2,764
	$ 4,706	$ 2,293

The College has a $5,000 operating line of credit with the Province of Manitoba, bearing interest at prime.

Short term investment activity is transacted with the Department of Finance, Province of Manitoba in short term deposits.

4. PREPAID EXPENSES

	2002	2001
Property taxes	$ 978	$ 1,159
Other	573	298
	$ 1,551	$ 1,457

5. CAPITAL ASSETS

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment & furniture	$ 10,974	$ 5,428	$ 5,546	$ 3,349
Computer equipment	14,026	12,054	1,972	2,436
Major renovations	4,155	597	3,558	3,261
Vehicles	51	13	38	30
Aircraft	1,216	-	1,216	-
Leasehold improvements	3,869	165	3,704	253
Construction in progress	-	-	-	26
Assets under capital lease	2,063	927	1,136	1,204
Library holdings	1,223	-	1,223	1,223
	$ 37,577	$ 19,184	$ 18,393	$ 11,782

5. CAPITAL ASSETS (continued)

The increase (decrease) in net book value of capital assets is due to the following:

	2002	2001
Balance, beginning of year	$ 11,782	$ 9,712
Purchase of capital assets funded by deferred capital contributions	8,426	2,105
Purchase of capital assets funded by deferred building campaign contributions	485	1,666
Purchase of capital assets internally funded	966	27
Purchase of capital assets financed through net capital lease proceeds	(101)	1,176
(Loss) gain on disposal of capital assets	(3)	7
Amortization of capital assets	(3,162)	(2,911)
	$ 18,393	$ 11,782

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2002	2001
Trade payables	$ 1,859	$ 1,670
Accrued salaries and benefits	854	903
Accrued retirement severance pay	5,707	5,530
Accrued vacation pay	6,313	5,540
	$ 14,733	$ 13,643

7. OBLIGATIONS UNDER CAPITAL LEASES

The following is a schedule of future minimum lease payments under the capital leases expiring between February 5, 2003 and April 23, 2005 together with the balance of the obligation under capital leases.

2003	$ 724
2004	307
2005	114
Total minimum lease payments	1,145
Less: amount representing interest (ranging from 5% to 10%)	(70)
Balance of obligations	1,075
Current portion	674
Long-term portion	$ 401

The amount of amortization charged to expense is $571 (2001 - $356). Interest expense on the lease obligations amounted to $70 (2001 - $56).

The computer equipment under capital leases is amortized on a straight-line basis over the useful life of the asset.

8. DEFERRED CONTRIBUTIONS

Deferred contributions represent the portion of the provincial operating grant that pertains to expenditures of the following year and donations for various scholarships, bursaries and other specific purposes to be paid out in future years.

	2002	2001
Deferred provincial operating grant		
Balance, beginning of year	$ 176	$ 630
Amount recognized as revenue during the year	(176)	(630)
Amount received related to following year	922	176
Balance, end of year	922	176
Deferred other contributions		
Balance, beginning of year	1,091	918
Amount recognized as revenue during the year	(425)	(414)
Amount received related to following year	556	587
Balance, end of year	1,222	1,091
	$ 2,144	$ 1,267

9. DEFERRED CAPITAL CAMPAIGN CONTRIBUTIONS

Deferred capital campaign contributions represent the donations received to date under the College's VIP campaign to renovate one of the buildings on campus. The donations are being amortized on the same basis as the renovations to the building. The changes in the deferred capital campaign contributions balance are as follows:

	2002	2001
Balance, beginning of year	$ 2,732	$ 1,227
Less: Amortization of deferred capital campaign contributions during the year	(189)	(161)
Add: Donations received during the year	485	166
Add: Grant received during the year	-	1,500
Balance, end of year	$ 3,028	$ 2,732

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of grants, donations and other revenue received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balance are as follows:

	2002	2001
Balance, beginning of year	$ 4,040	$ 3,318
Less: Amortization of deferred contributions	(1,529)	(1,383)
Add: Contributions received for capital purposes	7,876	1,989
Add: Donations-in-kind	550	116
Balance, end of year	$ 10,937	$ 4,040

11. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	2002	2001
Capital assets	$ 18,393	$ 11,782
Less: Amounts financed by deferred capital campaign contributions	(3,028)	(2,732)
Less: Deferred capital contributions	(10,937)	(4,040)
Less: Amounts financed by capital lease	(1,075)	(1,176)
Balance, end of year	$ 3,353	$ 3,834

The change in investment in capital assets is calculated as follows:

	2002	2001
Purchase of capital assets internally financed	$ 966	$ 27
Amortization of capital assets	(3,162)	(2,911)
Amortization of deferred capital contributions	1,529	1,383
Amortization of deferred capital campaign contributions	189	161
(Loss) gain on disposals of capital assets	(3)	7
Decrease in investment in capital assets	$ (481)	$ (1,333)

12. RESTRICTIONS ON NET ASSETS

Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Investment income on these resources is externally restricted to provide various scholarships, bursaries and other expenditures of future years.

The College's Board of Governors has internally restricted $315 as a reserve against future contingencies.

13. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

		2002		2001
Increase in accounts receivable	$	**(1,382)**	$	(955)
Decrease (increase) in inventories		**351**		(470)
(Increase) decrease in prepaid expenses		**(94)**		348
Increase in accounts payable		**1,090**		816
Increase (decrease) in deferred revenue		**219**		(206)
Increase (decrease) in non-cash working capital	$	**184**	$	(467)

14. PENSION COSTS AND OBLIGATIONS

The College's employees are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for College employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participation in the pension plan by the College and its employees.

15. COMMITMENTS

The College leases classroom and office space in Winnipeg, Portage La Prairie, Steinbach and Winkler, Manitoba. The College has also contracted for services, as well as leased certain computer and other equipment. Minimum annual lease and contractual commitment payments for accommodation, services, construction costs and equipment, in aggregate, for each of the next five years, are as follows:

2003	$	2,668
2004		1,159
2005		1,146
2006		738
2007		498

16. BUDGET

The budget figures included on the statement of operations are unaudited.

The College's budget differs from generally accepted accounting principles with regard to capital transactions. Capital revenues are projected in the year in which they are expected to be received as are the capital assets that are expected to be purchased with those revenues. Capital amortization is recorded for the College's strategic business units. All leases are treated as operating leases and lease payments are budgeted in the year they will be incurred.

The budget presented represents the College's operating and capital budget and does not include trust and endowment transactions. The operating budget only includes a provision for retirement severance pay that is expected to be paid during the current year.

17. CHARITABLE STATUS

The College is a registered charity under the Income Tax Act.

18. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for 2002.

19. SUBSEQUENT EVENT

Princess Street Campus

As part of the Province of Manitoba's College Expansion Initiative, a 220,000 square foot downtown campus is being constructed that will accommodate an additional 2,000 students. Phase I, which includes the move of the Creative Arts program to the downtown campus and the introduction of a number of new programs, will open in September 2002.

Subsequent to year-end, the College paid $12,707 for Phase 1 Construction Costs. A promissory note to the Government of Manitoba was issued in the amount of $12,750 plus interest. The principle sum will be repaid monthly at $26 plus interest on the outstanding principal at 6.6% per annum. The payments commence August 2002 and continue until July, 2042.

BDO

BDO Dunwoody LLP
Chartered Accountants
and Consultants
www.bdo.ca

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone (204) 956-7200
Telefax (204) 926-7201

Auditors' Report

To the Board of Directors of
Assiniboine Regional Health Authority

We have audited the statement of financial position of **Assiniboine Regional Health Authority** as at March 31, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the health authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the **Assiniboine Regional Health Authority** as at March 31, 2003 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 19, 2003

Assiniboine Regional Health Authority
Statement of Financial Position

March 31	2003	2002
Assets		
Current Assets		
Cash	$ 9,702,406	$ 5,412,956
Temporary investments	3,063,007	2,918,540
Accounts receivable (Note 2)	1,548,282	1,126,922
Due from Manitoba Health (Note 3)	120,658	2,655,948
Deferred vacation entitlement	5,271,966	4,879,189
Inventories	1,225,023	1,298,998
Prepaid expenses	191,858	417,706
	21,123,200	18,710,259
Deferred retirement obligation (Note 4)	7,265,654	6,754,762
Capital assets (Note 5)	77,450,923	77,776,825
Trust assets	75,796	68,291
	$ 105,915,573	$ 103,310,137
Liabilities and Net Assets		
Current Liabilities		
Lines of credit (Note 1)	$ 944,624	$ 190,331
Accounts payable and accrued liabilities	7,233,855	5,813,881
Current portion of long-term debt (Note 6)	2,134,229	2,931,343
Deferred vacation entitlement	5,271,966	4,879,189
	15,584,674	13,814,744
Long-term debt (Note 6)	31,814,465	33,280,632
Capital lease obligations	28,194	44,902
Accrued retirement obligation (Note 4)	7,265,654	6,754,762
Deferred contributions (Note 7)	47,218,097	44,395,858
Trust liabilities	75,796	74,459
Total liabilities	101,986,880	98,365,357
Commitments and contingencies (Note 12)		
Net Assets		
Net assets invested in capital assets	3,920,887	4,221,846
Net assets internally restricted (Note 8)	60,729	149,655
Unrestricted net assets	(52,923)	573,279
	3,928,693	4,944,780
	$ 105,915,573	$ 103,310,137

On behalf of the Board:

_______________ Director

_______________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Assiniboine Regional Health Authority
Statement of Changes in Net Assets

For the year ended March 31	Invested in Capital Assets	Internally Restricted	Unrestricted	2003	2002
Balance, beginning of year	$ 3,885,728	$ 149,655	$ (1,226,021)	$ 2,809,362	$ 1,572,991
Change in statement presentation					
Equity for EPH	336,118	-	(29,537)	306,581	306,581
MRHA 2002 net income	-	-	160,523	160,523	-
2000 In-Globe recovery	-	-	1,668,314	1,668,314	1,668,314
Balance, beginning of year as restated	4,221,846	149,655	573,279	4,944,780	3,547,886
Transfers to town of Souris	-	-	-	-	(16,606)
Transfer from (to) deferred contributions	-	(88,926)	-	(88,926)	87
Year end settlements - prior years	-	-	-	-	971,700
Additions (disposals) of capital assets	8,509	-	(8,509)	-	(32,388)
Excess of revenues (expenses) for the year	(309,468)	-	(617,693)	(927,161)	418,888
Reclassification from prior year	-	-	-	-	55,213
Balance, end of year	$ 3,920,887	$ 60,729	$ (52,923)	$ 3,928,693	$ 4,944,780

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Assiniboine Regional Health Authority
Statement of Operations

For the year ended March 31	2003	2002
Revenues		
Manitoba Health operating income (Note 9)	$ 95,309,005	$ 92,107,988
Authorized/residential charges	11,745,666	11,240,347
Amortization of deferred contributions	3,973,627	4,159,773
Other income	3,132,025	4,058,738
Ancillary revenue	908,121	1,028,938
Province of Manitoba	853,475	648,169
	115,921,919	113,243,953
Expenses		
Acute care expenses	40,362,808	38,792,287
Long-term care	36,245,374	34,770,681
Community-based home care services	9,292,063	9,049,456
Medical remuneration	9,314,229	9,159,845
Community-based health services	3,428,354	3,050,061
Land ambulance	3,168,644	3,184,576
Community-based mental health services	1,279,347	1,254,440
Community-based therapy services	717,291	787,752
Community-based services administration	565,016	521,155
	104,373,126	100,570,253
Other Undistributed Costs		
Regional health authority costs	4,785,738	4,861,474
Amortization of capital assets	4,089,205	4,269,922
Interest on long-term debt	1,884,395	1,727,749
Ancillary expenses	877,727	820,301
Pre-retirement expenses	470,294	609,650
Transition, job action costs and other	356,593	15,727
Inter-facility expenses	-	888
	12,463,952	12,305,711
Total expenses and other undistributed costs	116,837,078	112,875,964
Excess of revenues (expenses) before other item	(915,159)	367,989
Other Item		
Net gain (loss) on sale of assets	(12,002)	50,899
Excess of revenues (expenses) for the year	$ (927,161)	$ 418,888

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Assiniboine Regional Health Authority
Statement of Cash Flows

For the year ended March 31	2003	2002
Cash Flows from Operating Activities		
Excess of revenues (expenses) for the year	$ (927,161)	$ 418,888
Adjustments for		
Loss(gain) on disposal of assets	12,002	(50,899)
Prior period adjustment	-	-
Amortization of deferred contributions	(3,973,627)	(4,159,773)
Amortization of capital assets	4,089,205	4,269,922
	(799,581)	478,138
Changes in non-cash working capital balances		
Accounts receivable	(421,360)	703,983
Inventories	73,975	(78,156)
Prepaid expenses	225,848	(76,375)
Short-term investments	(144,467)	(150,688)
Due from Manitoba Health	2,535,290	1,871,436
Accounts payable and accrued liabilities	1,419,974	298,175
	2,889,679	3,046,513
Cash Flows from Investing and Financing Activities		
Change in capital assets	(3,870,399)	(1,063,159)
Increase in deferred contributions	6,795,866	4,974,943
Increase (decrease) in long-term debt	(1,525,696)	(1,464,077)
Increase (decrease) in deferred income	-	64,141
	1,399,771	2,511,848
Increase in cash during the year	4,289,450	5,558,361
Cash and cash equivalents, beginning of year	5,412,956	(145,405)
Cash and cash equivalents, end of year	$ 9,702,406	$ 5,412,956

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Assiniboine Regional Health Authority
Summary of Significant Accounting Policies

March 31, 2003

Nature and Purpose of Organization

Assiniboine Regional Health Authority is a non-profit organization incorporated without share capital under the laws of Manitoba. The health authority's mission is to promote and enhance the physical, mental and spiritual well-being for the Assiniboine region through the provision of high quality health services and programs which are responsive, accessible, coordinated and sustainable.

The health authority is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

These financial statements were prepared in accordance with Canadian generally accepted accounting principles except for the following policy described as deferred charges - employee future benefits.

Revenue Recognition

The health authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Contributed Materials and Services

Contributed materials and services which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Assiniboine Regional Health Authority
Summary of Significant Accounting Policies

March 31, 2003

Basis of Reporting

These financial statements include the accounts of all controlled not-for-profit organizations of Assiniboine Regional Health Authority All significant inter divisional transactions have been eliminated.

The assets, liabilities, and operations of the following controlled not-for-profit organizations have been included in these financial statements:

Acute/Personal Care Homes:
Birtle Health Centre
Carberry Health Centre
Erickson Health Centre
Hamiota Health Centre
Minnedosa Hospital
Minnedosa Personal Care Home
Neepawa Hospital
Eastview Lodge
Riverdale Health Centre
Rossburn Health Centre
Russell Hospital
Russell Personal Care Home
Sandy Lake Personal Care Home
Shoal Lake Health Centre
Baldur Health Centre
Boissevain Health Centre
Westview Lodge
Bren-Del-Win Lodge
Deloraine Health Centre
Glenboro Health Centre
Elkwood Manor
Reston Health Centre
Virden Hospital
Westman Nursing Home
Tiger Hills Health Centre
Melita Health Centre
Wawanesa Health Centre
The Sherwood
Tri-Lake Health Centre
Cartwright Hospital
Hartney Community Health Centre
Souris Health Centre

Ambulance services:
Baldur
Birtle
Boissevain
Carberry
Cartwright
Deloraine
Elkhorn

Erickson
Glenboro
Hamiota
Hartney
Minnedosa
Neepawa
Oak Lake
Reston
Rivers
Rossburn
Russell
Shoal Lake
Souris
Tiger Hills
Tri-Lake
Virden
Wawanesa

Elderly Persons Housing Units:
Pioneer Lodge (Birtle)
Lilac East (Hamiota)
Lilac North (Hamiota)
Westwood Lodge (Rivers)
Lakeshore Lodge (Shoal Lake)
Morley House (Shoal Lake)
Tiger Hills Villa (Treherne)

Handi-Transit Services:
Baldur
Glenboro
Hartney
Souris
Tiger Hills

Erickson
Glenboro
Hamiota
Hartney
Minnedosa
Neepawa
Oak Lake
Reston
Rivers
Rossburn
Russell
Shoal Lake
Souris
Tiger Hills
Tri-Lake
Virden
Wawanesa

Elderly Persons Housing Units:
Pioneer Lodge (Birtle)
Lilac East (Hamiota)
Lilac North (Hamiota)
Westwood Lodge (Rivers)
Lakeshore Lodge (Shoal Lake)
Morley House (Shoal Lake)
Tiger Hills Villa (Treherne)

Handi-Transit Services:
Baldur
Glenboro
Hartney
Souris
Tiger Hills

Assiniboine Regional Health Authority
Summary of Significant Accounting Policies

March 31, 2003

Financial Instruments

Assiniboine Regional Health Authority's financial instruments consist of cash, accounts receivable, temporary investments, accounts payable, amounts due from (to) Manitoba Health and long-term debt. Unless otherwise noted, it is management's opinion that the health authority is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Temporary Investments

Temporary investments are stated at the lower of cost and market value.

Inventories

Inventories are stated at the lower of cost and replacement cost. Cost is generally determined on the first-in, first-out basis.

Capital Assets

Purchased capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Ambulance garages	20 years straight-line basis
Ambulance radios	5 years straight-line basis
Automotive equipment	5 years straight-line basis
Building	40 years straight-line basis
Computers	5 years straight-line basis
Equipment	10 years straight-line basis
Land improvements	15 years straight-line basis
Leaseholds	3 years straight-line basis

Deferred Charges - Employee Future Benefits

The health authority records a liability for employee future benefits including accrued vacation entitlements, accrued overtime and accrued retirement obligations. An expense is not recorded, but instead offsetting assets described as "Deferred Charges - vacation" and "Deferred Charges - pre-retirement" are recorded to reflect the expected recovery of these costs from Manitoba Health in the future period in which the expenditures are made.

1. Line of Credit

The Assiniboine Regional Health Authority has $4,200,000 authorized lines of credit bearing interest at the bank's prime rate minus 0.65%. Security provided on these lines of credit include an overdraft borrowing agreement and a Letter of Comfort from Manitoba Health.

2. Accounts Receivable

	2003	2002
Trade receivables	$ 1,487,591	$ 1,039,968
GST receivable	179,666	151,776
Allowance for doubtful accounts	(118,975)	(64,822)
	$ 1,548,282	$ 1,126,922

3. Due From Manitoba Health

	2003	2002
Out-of-Globe 2002/2003	$ 120,658	$ -
Out-of-Globe 2001/2002	-	(70,963)
Out-of-Globe prior years	-	(477,210)
In-Globe 1997/1998	-	178,250
In-Globe 1999/2000	-	1,668,314
In-Globe 2001/2002	-	1,357,557
	$ 120,658	$ 2,655,948

In-Globe Funding

In-Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out-of-Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In-Globe deficits, unless otherwise approved by Manitoba Health.

3. Due From Manitoba Health (continued)

Out-of-Globe Funding

Out-of-Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

4. Accrued Retirement Obligation

	2003	2002
Members of the Health Employees Pension Plan	$ 6,258,454	$ 5,854,962
Members of the Civil Service Superannuation Plan	1,007,200	899,800
	$ 7,265,654	$ 6,754,762

The health authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- has ten years service and has reached the age of 55 or
- qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
- retires at or after age 65
- terminates employment at any time due to permanent disability

The health authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service
- two weeks of additional severance pay for each increment of five years service past the 15 years of service up to 30 years of service

5. Capital Assets

	2003			2002		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	$ 499,413	$ -	$ 499,413	$ 499,413	$ -	$ 499,413
Buildings	83,922,595	30,095,934	53,826,661	83,589,013	28,601,242	54,987,771
Equipment, ambulance garages, ambulance radios, vehicles and computers	44,493,269	36,452,701	8,040,568	42,675,145	34,511,633	8,163,512
Construction in progress	14,277,587	-	14,277,587	13,305,790	-	13,305,790
Land improvements	2,197,540	1,390,846	806,694	2,121,935	1,301,596	820,339
	$ 145,390,404	$ 67,939,481	$ 77,450,923	$142,191,296	$ 64,414,471	$ 77,776,825

6. Long-term Debt

	2003	2002
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 4.43% to 10.50%, due from October 1, 2006 to May 1, 2029, with monthly payments of principal and interest from $149 to $6,750, secured by a mortgage on buildings.	$ 8,111,106	$ 8,681,763
Mortgages payable to Manitoba Housing and Renewal Corporation at interest rates from 7.75% to 10.75%, due from December 31, 2022 to December 31, 2023, with monthly payments of principal and interest from $5,478 to $6,479, secured by a mortgage on buildings.	1,321,689	1,395,153
Mortgage payable to Tiger Hills Credit Union Limited, at 5.00%, monthly payments of $8,684 principal and interest, secured by a first charge against the Tiger Hills Villa land and building, a general assignment of all rents and leases and a chattel mortgage covering the appliances in the Tiger Hills Villa.	1,181,337	1,234,118
Demand loans payable to Royal Bank prime less 0.50%.	26,700	9,812,042
Promissory notes payable to the Manitoba Department of Finance at interest rates from 6.13% to 6.38%, due March 31, 2017 to March 31, 2018, repayable in monthly installments from $70,312 to $70,513 plus interest on the last business day of each month.	21,966,346	12,656,250
Flex loans payable to Royal Bank at a variable rates, due every 91 days, payments of principal and interest, due at the end of the term, secured Manitoba Health guarantee.	1,303,116	2,382,049
Debentures payable at 13.38%, due from October 31, 2003 to November 15, 2004, repayable in monthly payments of principal from $900 to $1,400 plus interest. Secured by the building and an implicit guarantee by Manitoba Health.	38,400	50,600
	33,948,694	36,211,975
Less current portion	2,134,229	2,931,343
	$ 31,814,465	$ 33,280,632

6. Long-term Debt (continued)

Principal repayments for the next five years and thereafter are as follows:

2004	$ 2,134,229
2005	2,128,687
2006	2,144,967
2007	2,166,752
2008	2,182,770
Thereafter	23,191,289
	$ 33,948,694

7. Deferred Contributions and Income

Expended and unexpended deferred contributions represent restricted capital funding received from Manitoba Health.

Expended deferred contributions related to capital assets represent the unamortized amount of funds received for the purchase of capital assets and the lump sum repayment of capital debt. The amortization of capital deferred contributions is recorded as revenue in the statement of operations.

Unexpended deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment, major repairs, construction and other expenses. Donations were received from other sources restricted for the purchase of depreciable capital assets.

	Expended	Unexpended	Other	2003	2002
Balance, beginning of year	$ 38,366,016	$ 2,351,606	$ 3,927,728	$ 44,645,350	$ 45,196,769
Change in statement presentation	(306,581)	45,113	11,976	(249,492)	(249,492)
Re-classification of deferred income	-	-	-	-	73,367
Beginning of year,as restated	38,059,435	2,396,719	3,939,704	44,395,858	45,020,644
Funding Manitoba Health	2,283,336	608,565	-	2,891,901	2,801,961
Donations received	-	-	1,363,189	1,363,189	1,741,517
Interest earned	-	5,600	67,507	73,107	96,130
Other receipts	227,792	550,490	195,597	973,879	37,730
Capital asset purchases	2,388,751	(760,766)	(1,058,538)	569,447	451,627
Re-classification to payables	-	-	(245,968)	(245,968)	(529,266)
Amortization	(3,699,666)	-	-	(3,699,666)	(4,047,243)
Deferred income-other	-	1,056,873	-	1,056,873	(1,177,242)
Transfer of prior year restricted equity	-	1,171,125	(1,171,125)	-	-
Transfer to net assets	-	(160,523)	-	(160,523)	-
Balance, end of year	$ 39,259,648	$ 4,868,083	$ 3,090,366	$ 47,218,097	$ 44,395,858

8. Net Assets Internally Restricted

Represents insurance proceeds received due to a fire and destruction of an ambulance. The funds were set aside for the purchase of an ambulance in future years.

9. Manitoba Health Operating Income

	2003	2002
Revenue as per Manitoba Health's final funding document	$ 97,328,984	$ 93,286,559
Add:		
CUPE	1,104,768	219,421
MGEU	333,221	65,963
MAHCP wage parity	-	22,443
MNU related funding	97,683	30,506
Accreditation survey fees	26,400	12,467
Employee assistance program	-	19,898
Pre-retirement leave	70,294	609,649
One to one attendant services - Tri-Lake Health Centre	-	8,068
2001/2002 operating deficit	-	1,357,557
Past commitments	167,761	-
Long-term care adjustment	300,000	-
Pharmacists' bonus adjustment	1,707	-
Principle on approved borrowing	27,549	-
Pharmacists' R & R bonuses 2002/2003	52,954	-
ER on Call 2001/2002 Retro	106,480	-
	2,288,817	2,345,972
Deduct:		
Authorized and residential charges	(750,287)	(271,408)
Capital interest	(49,801)	(125,859)
Medical remuneration	(616,807)	(325,315)
	(1,416,895)	(722,582)
Total funding approved by Manitoba Health	98,200,906	94,909,949
Deduct: Amounts recorded as deferred contributions:		
Capital funding	(2,891,901)	(2,801,961)
	$ 95,309,005	$ 92,107,988

10. Financial Information at Different Dates

The following entities have been consolidated into these financial statements as at December 31, 2002 and December 31, 2001 respectively.

Baldur Handi-Van Service
Glenboro Handi-Van Service
Hartney Handi-Transit
Souris Handi-Transit
Tiger Hills Handi-van Service

These entities have not been reported as at March 31, 2003 and March 31, 2002, respectively, due to the reporting requirements of their funding agency: The Province of Manitoba - Department of Highways and Transportation. There have been no significant transactions in the intervening period between December 31, 2002 and March 31, 2003 and December 31, 2001 and March 31, 2002, respectively. Details regarding these entities assets, liabilities, net assets as at March 31, 2003 and March 31, 2002, and their revenues and expenses for the three-month intervening period have not been prepared since these entities are not significant to Assiniboine Regional Health Authority as a whole.

11. Entities Consolidated Based on MHRC Reporting Standards

The financial statements of The Tiger-Hills Villa Inc., Hamiota District Health Centre Inc. - Lilac Residence (East Wing), Hamiota District Health Centre Inc. - Lilac Residence (North Wing), Morley House of Shoal Lake Elderly Persons Housing, Morley House of Shoal Lake - Lakeshore Lodge, Pioneer Lodge Inc., Riverdale Personal Care Home Inc. - Westwood Lodge are prepared in accordance with the accounting principles required by Manitoba Housing and Renewal Corporation (MHRC). The difference between accounting principles used by the above entities and Assiniboine Regional Health Authority would not result in significant changes to these financial statements as a whole.

12. Commitments and Contingencies

(a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2003, management believes the Authority has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

(b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2003.

13. Economic Dependence

Assiniboine Regional Health Authority receives a substantial portion of its revenue from Manitoba Health.

14. Accounting Treatment for Foundations

Assiniboine Regional Health Authority has not disclosed the inter-relationships nor the degree of economic dependence with its Foundations because the group of controlled organizations is comprised of a large number of organizations that are individually immaterial to the Assiniboine Regional Health Authority as a whole.

15. Pension Plan

Substantially all of the employees of the Authority are members of the Healthcare Employees Pension Plan (a successor of the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5.0% of salary and 6.6% of salary over $39,900 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee's contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at January 1, 2002 indicates the Plan is fully funded.

The remainder of employees are members of the Province of Manitoba's defined benefit Civil Service Superannuation Pension Plan. Liability for variances between actuarial funding estimates and actual experience lies with the Province.

16. Comparative Figures

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation. The comparative figures have been derived from the audited financial statements of South Westman Regional Health Authority Inc. and the audited financial statements of Marquette Regional Health Authority Inc. The Marquette Regional Health Authority Inc. financial statements were reported on by another auditor.

17. Amalgamation

On July 1, 2002 Southwestman Regional Health Authority Inc. and Marquette Regional Health Authority Inc. were amalgamated. The new Health Authority on amalgamation operates as Assiniboine Regional Health Authority.

BDO

BDO Dunwoody LLP
Chartered Accountants
and Consultants
www.bdo.ca

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone (204) 956-7200
Telefax (204) 926-7201

Auditors' Report on Compliance with Bill 57

To the Board of Directors of
Assiniboine Regional Health Authority Inc.

We have made an examination to determine whether **Assiniboine Regional Health Authority Inc.** complied with the provisions of Bill 57 of the Public Sector Compensation Disclosure Act as at December 31, 2002. Compliance with the provisions of Bill 57 of the Public Sector Compensation Disclosure Act is the responsibility of the organization's management. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether **Assiniboine Regional Health Authority Inc.** complied with the provisions of Bill 57 of the Public Sector Compensation Disclosure Act. Such an audit includes examining, on a test basis, evidence supporting compliance and evaluating the overall compliance with the provisions of Bill 57 of the Public Sector Compensation Disclosure Act.

In our opinion, **Assiniboine Regional Health Authority Inc.** has complied, in all significant respects, with the provisions of Bill 57 of the Public Sector Compensation Disclosure Act during the year ended December 31, 2002.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 19, 2003

Assiniboine Regional Health Authority Inc.
Public Sector Compensation Disclosure

For the year ended December 31, 2002

Basis of Presentation

This statement includes all facilities that have devolved to the **Assiniboine Regional Health Authority Inc.**

Statement of Compensation Disclosure

It is the requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of aggregate compensation paid to members of the Board of Directors, and of individual compensation in an amount exceeding $50,000 annually to any member of council, officer or employee of the **Assiniboine Regional Health Authority Inc.** for the year ended December 31, 2002.

(a) Compensation paid to members of the Board of Directors amounted to $60,571.50 in aggregate;

(b) There were no members of the Board of Directors receiving compensation in excess of $50,000 individually;

(c) Compensation paid to the following employees includes all salaries and allowances, overtime payments, retirement or severance payments, lump sum payments, vacation payouts, taxable benefits and bursaries.

Assiniboine Regional Health Authority Inc.
Public Sector Compensation Disclosure

For the year ended December 31, 2002

Name	Position	Amount
Adraansen, B.	Registered Nurse	$ 59,365.34
Anderson, M.	Registered Nurse	61,133.01
Andrew, M.	Community Health Director	61,527.53
Angus-Wood, M.	Registered Nurse IV	55,083.46
Baker, B.	Nurse Manager	58,791.82
Baron, L.	Public Health Nurse	57,701.99
Bartlett, J.	Executive Director - Support Services	114,927.10
Bayes, K.	Program Director	58,562.26
Beamish, R.	Medical Technologist	63,781.11
Beard, M.	Registered Nurse	50,913.54
Beauchamp, D.	Physician	136,840.61
Beaupre, P.	Registered Nurse	53,491.93
Becker, L.	Nursing Unit Coordinator	58,363.43
Berry, G.	Community Health Director	59,055.94
Bertrand, M.	Public Health Nurse	50,181.25
Bircham, J.	Registered Nurse	57,166.18
Birnie, N.	Registered Nurse	54,747.47
Boake, M.	Registered Nurse	61,879.70
Breneman, C.	Physician	107,773.16
Brown, J.	Registered Nurse	53,955.05
Brown, M.	Medical Technologist	61,495.50
Bryce, L.	Medical Technologist	50,097.63
Burdett, S.	Registered Nurse	57,334.60
Butler, N.	Physician	58,710.29
Buydens, C.	Registered Nurse	60,183.46
Cameron, C.	Local Program Coordinator	61,189.20
Carnegie, D.	Program Manager	68,653.00
Carr, J.	Registered Nurse	50,307.82
Carson, M.	Community Health Manager	66,983.31
Chandler, G.	Medical Technologist	66,940.35
Chartrand, P.	Medical Technologist	75,594.60
Chegwin, P.	Executive Director - Programs	72,422.52
Chute, E.	Registered Nurse	55,999.74
Clark, D.	Registered Nurse	52,846.74
Clark, J.	Medical Technologist	69,854.37
Clark, L.	Pharmacist	57,373.52
Clevett, D.	Vice President-Health Services	89,982.00
Cline, H.	Registered Nurse	53,654.33
Cochrane, P.	Home Care Case Coordinator	58,922.01
Cockburn, P.	Vice President - Programs & Services	100,032.82
Coe, L.	Registered Nurse	51,992.09
Cormack, C.	Palliative Care Coordinator	51,270.66
Coulson, J.	Registered Nurse	52,318.96
Crighton, L.	Registered Nurse	57,912.16
Cullen, M.	Registered Nurse	52,027.49
Currie, T L.	Registered Nurse	53,044.99
Dallaire, G.	Registered Nurse	52,234.29
Danielson, G.	Local Program Coordinator	68,830.74
Darling, J.	Registered Nurse	61,575.92
Debackere, M.	Registered Nurse	51,721.89
Deeley, M.	Registered Nurse	61,589.37
Deeley, T.	Medical Technologist	63,974.43
Delorme, S.	Chief Executive Officer	62,919.94

Devonish, A.	Registered Nurse	55,284.84
Dickson, S.	Community Health Director	54,978.80
Donogh, D.	Home Care Case Coordinator	58,921.99
Du Plooy, J.	Physician	67,275.96
Du Plooy, P.	Physician	77,402.48
Dyck, D.	Home Care Case Coordinator	58,800.04
Edmundson, D.	Registered Nurse	52,668.07
Ernest, M.	Registered Nurse	51,251.12
Evans, N.	Registered Nurse	50,861.85
Falkevitch, S.	Registered Nurse	52,125.38
Fraser, K.	Medical Technologist	73,655.27
Fraser, M.	Public Health Nurse	51,852.64
Friesen, R.	Mental Health Worker	52,096.04
Fry, D.	Local Program Coordinator	60,887.22
Gabler, J.	Registered Nurse	50,217.97
Garney, N.	Program Director	58,141.04
Gardner, K.	Public Health Nurse	57,868.42
Gerelus, L.	Public Health Nurse	55,839.52
Gervin, M A.	Registered Nurse	53,163.90
Gluska, K.	Medical Technologist	65,966.91
Gogal, S.	Medical Technologist	67,996.67
Grant-Weisberg, D.	Mental Health Worker	52,044.24
Gray, C.	Physician	107,043.76
Greenlay, T.	Medical Technologist	61,050.97
Gudnason, B.	Local Program Coordinator	58,550.16
Hachkowski, J.	Registered Nurse	59,214.79
Hanson, M.	Registered Nurse	62,958.18
Harapiak, S.	Registered Nurse	57,275.61
Hart, S.	Medical Technologist	50,934.80
Heaman, S.	Chief Financial Officer	59,241.16
Henuset, G.	Local Program Coordinator	53,129.85
Hyde, S.	Registered Nurse	53,596.58
Isman, V.	Psychologist	60,987.24
Jardine, J.	Mental Health Worker	51,084.49
Jefferies, C.	Home Care Case Coordinator	52,941.79
Jenkins, H.	Registered Nurse	53,660.25
Johnston, L.	Local Program Coordinator	60,960.43
Jones, B.	Mental Health Worker	51,059.08
Jones, L.	Program Manager	66,532.20
Jones, R.	Mental Health Worker	52,041.81
Jordan, E.	Registered Nurse	54,796.64
Juce, K.	Physician	91,395.28
Judd,K.	Nursing Unit Coordinator	60,059.01
Kaluzniak, C.	Local Program Coordinator	62,197.29
Kastrukoff, L.	Medical Technologist	56,997.42
Kempthorne, A.	Registered Nurse	59,321.20
King, B.	Medical Technologist	53,601.05
Kingdon, D.	Registered Nurse	56,416.03
Kirkwood, D.	Medical Technologist	59,738.07
Kopytko, M.	Public Health Nurse	57,085.93
Kostesky, B.	Community Health Director	57,477.59
Kowal, L.	Mental Health Worker	51,059.15
Kowaluk, G.	Community Health Director	56,512.74
Kristjanson, D.	Physician	125,517.64
Kroeger, K.	Mental Health Worker	50,857.51
Laing, L.	Registered Nurse	56,045.51
Laliberte, G.	Local Program Coordinator	51,925.39
Langford, K.	Nursing Unit Coordinator	53,277.88
Lees, D.	Registered Nurse	50,191.35
Lemoing, R.	Registered Nurse	50,009.40
Lesage, D.	Medical Technologist	65,600.76
Loeppky, J.	Medical Technologist	66,983.57
Lustig, A.	Site Manager	60,141.89

MacIsaac, P.	EMS District Manager	54,884.05
Maliteare, L.	Registered Nurse	61,983.05
Martin, P.	Program Director	57,549.81
Maryniuk, H.	Diag. Services/Info. Tech. Manager	63,976.36
Matiation, K.	Registered Nurse	55,599.59
Maxwell, G.	Community Health Manager	67,377.90
McCartney, T.	Local Program Coordinator	65,712.32
McClelland, C.	Human Resources/Education Manager	66,912.90
McConnell, B.	Mental Health Worker	52,043.70
McFadden, J.	Registered Nurse IV	58,190.91
McFadzean-Main, K.	Medical Technologist	58,031.78
McFall, B.	Local Program Coordinator	60,140.87
McGregor, M.	Community Health Manager	66,269.52
McLeod, B.	Pharmacist	60,293.31
Mead, M.	Public Health Nurse	56,961.18
Melnychuk, D.	Local Program Coordinator	57,737.58
Meyers, K.	Registered Nurse	53,606.63
Michaluk, D.	Registered Nurse	52,256.59
Millenchuk, S.	Registered Nurse	55,444.17
Miller, D.	Medical Technologist	66,740.33
Miller, E.	Registered Nurse	67,087.33
Minty, L.	Home Care Case Coordinator	51,089.95
Morris, A.	Medical Technologist	63,154.73
Morrison, H.	Registered Nurse	59,500.42
Mrozowich, J.	Executive Director-Human Resources	70,569.16
Mullin, L.	Registered Nurse	51,658.97
Munro, P.	Home Care Case Coordinator	51,059.11
Myburgh, J.	Physician	51,338.40
Nay, S.	Local Program Coordinator	62,017.88
Nelson, J.	Registered Nurse	53,594.08
Neufeld, E.	Home Care Case Coordinator	51,059.13
Newton, K.	Registered Nurse	56,863.56
Nylen, B.	Medical Technologist	71,534.87
Obach, D.	Community Health Manager	66,912.90
Oliver, M.	Registered Nurse	54,053.30
Paddock, G.	Community Health Director	50,326.78
Paddock, M.	Public Health Nurse	57,885.29
Parenteau, K.	Registered Nurse	57,381.14
Parsons-Smith, K.	Registered Nurse	50,760.03
Patterson, P.	Registered Nurse	53,145.69
Peterson, H.	Registered Nurse IV	57,663.02
Pinkerton, L.	Medical Technologist	59,718.63
Pospisil, N.	Registered Nurse	58,467.89
Preston, D.	Medical Technologist	68,028.61
Preston, F.	Medical Technologist	61,674.01
Rakai, J.	Vice President-Corporate Services	102,979.40
Riley, J.	Registered Nurse	53,329.96
Rindlisbacher, B.	Registered Nurse	55,624.47
Robertson, E.	Community Health Director	64,010.54
Robinson, C.	Registered Nurse	52,565.13
Rocan, P.	Medical Technologist	74,046.18
Rose, E.	Public Health Nurse	8,922.02
Russell, H.	Registered Nurse	56,659.29
Scheeper-Viljoen, R.	Physician	55,724.00
Schoonbaert, E.	Registered Nurse	58,920.41
Seafoot, B.	Registered Nurse	57,565.34
Shearer, P.	Registered Nurse	53,541.98
Sheffield, P.	Public Health Nurse	59,245.73
Sheridan, H.	Registered Nurse	53,496.08
Sheridan, L.	Medical Technologist	63,290.17
Short, G.	Registered Nurse	58,684.49
Simpson, J.	Nursing Unit Coordinator	54,516.34
Slater, S.	Local Program Coordinator	57,057.26

Slon, C.	Registered Nurse	57,069.05
Smith, K.	Education Services Coordinator	58,931.10
Sorensen, P.	Chief Executive Officer	127.115.52
Speiss, D.	Medical Technologist	72,601.89
Stephenson, J.	Public Health Nurse	58,922.00
Stephenson, L.	Registered Nurse	60,923.60
Stewart, D.	Senior Accountant	52,354.85
Stilwell, E.	Medical Technologist	66,082.47
Takvam, K.	Financial Services Manager	67,638.86
Teetaert, M.	Palliative Care Coordinator	52,041.80
Thompson, J.	Local Program Coordinator	59,087.03
Tompsett, D.	Local Program Coordinator	57,782.92
Towler, B.	Local Program Coordinator	59,547.05
Turner I.	Local Program Coordinator	60,737.24
Turner, L.	Medical Technologist	56,702.63
Van Vuuren, M.	Physician	124,063.02
Vandusen, N.	Medical Technologist	51,384.52
Wahoski, L.	Registered Nurse	53,113.47
Waldner, L.	Medical Transportation Manager	59,990.75
Walker, L.	Registered Nurse	50,809.05
Walker, P.	Program Manager	66,927.33
Walter, V.	Registered Nurse	50,509.58
Watson, M.	Education Services Coordinator	58,327.90
Weddall, L.	Registered Nurse	60,972.08
Wepener, F.	Physician	70,885.52
Wepener, L.	Physician	69,174.22
Wheeler, M.	Registered Nurse	53,607.18
White, F.	Regional Planning Manager	66,912.90
Wiebe, B.	Medical Technologist	61,002.13
Witzke, J.	Registered Nurse	59,259.47
Wolfe, B.	Medical Technologist	67,291.31
Yaremchuk, R.	Community Health Director	57,167.89
Zboril, B.	EMS District Manager	56,789.40
Zimmer, R.	Medical Technologist	57,500.45

Deloitte & Touche LLP
360 Main Street, Suite 2300
Winnipeg, Manitoba R3C 3Z3
Canada

Tel: (204) 942 0051
Fax: (204) 947 9390
www.deloitte.ca

Deloitte & Touche

AUDITORS' REPORT

To the Board of Directors of
Brandon Regional Health Authority

We have audited the consolidated statement of financial position of Brandon Regional Health Authority as at March 31, 2003 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Brandon Regional Health Authority as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

Winnipeg, Manitoba
June 25, 2003

**Deloitte
Touche
Tohmatsu**

Brandon Regional Health Authority
Consolidated Statement of Financial Position

March 31	2003	2002 (Restated Note 15)
ASSETS		
CURRENT		
Cash	$ 1,190,375	$ 2,723,691
Accounts receivable (Note 3)	4,812,780	2,366,781
Inventories	1,338,691	1,346,473
Prepaid expenses	770,286	1,132,806
Due From Manitoba Health - Vacation	5,785,536	5,204,983
	13,897,668	**12,774,734**
DUE FROM MANITOBA HEALTH - Pre-retirement	7,507,463	6,892,515
INVESTMENTS (Note 4)	3,829,428	3,496,361
CAPITAL ASSETS (Note 5)	79,812,981	54,990,335
OTHER ASSETS	5,674,396	5,201,019
	$ 110,721,936	$ 83,354,964
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 9,867,337	$ 8,473,300
Bank advances	11,398,561	4,984,343
Employee Future Benefits - Vacation	5,785,536	5,204,983
Current portion of obligation under capital lease (Note 7)	330,522	-
Current portion of long term debt (Note 6)	356,338	350,058
	27,738,294	**19,012,684**
ACCRUED EMPLOYEE FUTURE BENEFITS - Pre-retirement	7,507,463	6,892,515
OBLIGATION UNDER CAPITAL LEASE (Note 7)	1,311,609	-
LONG TERM DEBT (Note 6)	11,567,629	11,691,359
DEFERRED CONTRIBUTIONS (Note 8)		
Expenses of future periods	974,004	974,124
Grants from the Province of Manitoba	30,591,937	16,756,944
Capital assets	23,496,536	20,254,768
	103,187,472	**75,582,394**
NET ASSETS		
Invested in capital assets (Note 9)	4,517,046	5,727,541
Internally restricted (Note 10)	3,456,596	3,045,145
Externally restricted (Note 10)	26,665	25,440
Unrestricted	(465,843)	(1,025,556)
	7,534,464	7,772,570
	$ 110,721,936	$ 83,354,964

Brandon Regional Health Authority
Consolidated Statement of Operations

For the year ended March 31	2003	2002 (Restated Note 15)
REVENUE		
Manitoba Health operating income		
Income as per Funding Document (excluding funding related to Capital)	$ 117,280,157	$ 104,992,389
One Time Funding	1,700,000	-
Retroactive Salary Payments	1,105,713	517,612
Recovery of Non Global Items	510,493	538,351
Deferral of Manitoba Health Income	(53,270)	(8,500)
Other Manitoba Health Income	3,537,165	2,361,842
Total Manitoba Health Funding (Note 11)	124,080,258	108,401,694
Non-insured Income	8,179,463	5,891,393
Other Income	2,507,314	2,223,980
Amortization of deferred contributions	5,502,481	4,257,979
Amortization of deferred contributions - Non Devolved Facilities	643,360	608,603
Ancillary revenue	2,927,405	2,874,386
	143,840,281	124,258,035
EXPENSES		
Acute Care services	77,565,711	72,538,483
Long Term Care Services	27,148,577	17,876,149
Medical Remuneration - All Programs	7,607,748	6,825,896
Community Services Administration	739,746	716,605
Community Based Mental Health Services	8,509,084	8,246,439
Community Based Home Care Services	4,506,386	4,085,101
Community Based Health Services	3,057,403	2,820,969
Land Ambulance	207,593	201,912
RHA Administration Costs	2,287,701	2,090,837
Amortization of capital assets	6,087,680	5,187,969
Capital payments - Non Devolved Facilities	643,360	608,603
Interest on long term debt	2,498,044	2,395,608
Interest on Capital Lease	40,569	-
Other operating expenses	655,657	337,700
Ancillary expenses	2,523,128	2,419,224
	144,078,387	126,351,495
Shortfall of revenue over expenses for the year	$ (238,106)	$ (2,093,460)

ALLOCATION OF SHORTFALL FROM OPERATIONS:

Investment in Capital Assets - Manitoba Health Activities	$ (470,393)	$ (547,433)
Unrestricted - Manitoba Health Activities	758,626	(1,183,782)
Investment in Capital Assets - Non Manitoba Health Activities	(998,321)	(920,926)
Internally Restricted - Non Manitoba Health Activities	470,757	533,241
Externally Restricted	1,225	25,440
	$ (238,106)	$ (2,093,460)

Brandon Regional Health Authority
Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2003

	Invested In Capital Assets	Internally Restricted	Externally Restricted	Unrestricted	2003 Total	2002 Total
BALANCE, beginning of year	$ 5,727,541	$ 3,045,145	$ 25,440	$ (1,025,556)	$ 7,772,570	$ 9,866,030
(Shortfall) Excess of revenue over expenses	(1,468,714)	470,757	1,225	758,626	(238,106)	(2,093,460)
Net change in investment in capital assets	258,219	(59,306)	-	(198,913)	-	-
BALANCE, end of year	$ 4,517,046	$ 3,456,596	$ 26,665	$ (465,843)	$ 7,534,464	$ 7,772,570

Brandon Regional Health Authority
Consolidated Statement of Cash Flows

For the year ended March 31	2003	2002
		(Restated Note 1
OPERATING ACTIVITIES		
Shortfall of revenue over expenses	$ (238,106)	$ (2,093,460)
Items not affecting cash		
Amortization of capital assets	6,087,680	5,187,969
Amortization of deferred contributions related to expenses of future periods	(883,524)	(538,370)
Amortization of deferred contributions related to capital assets	(4,618,957)	(3,719,609)
Changes in non-cash operating working capital items	(681,660)	5,827,385
	(334,567)	4,663,915
FINANCING ACTIVITIES		
Increase in deferred contributions related to expenses of future periods	883,404	776,083
Increase in deferred contributions related to capital assets	7,860,725	4,236,249
Increase in deferred contributions related to grants from the Province of Manitoba	15,500,000	-
Reduction in deferred contributions related to grants from the Province of Manitoba	(1,665,007)	(1,583,333)
Increase in bank advances	22,772,672	2,256,801
Repayment of bank advances	(16,358,454)	(280,721)
Repayment of long term debt	(117,450)	(110,397)
Repayment of obligation under capital lease	(439,885)	-
	28,436,005	5,294,682
INVESTING ACTIVITIES		
Purchase of capital assets	(28,828,310)	(6,501,326)
Increase in other assets	(473,377)	(491,041)
Increase in investments	(333,067)	(282,341)
	(29,634,754)	(7,274,708)
(DECREASE) INCREASE IN CASH	**(1,533,316)**	**2,683,889**
CASH, BEGINNING OF YEAR	**2,723,691**	**39,802**
CASH, END OF YEAR	**$ 1,190,375**	**$ 2,723,691**

1 PURPOSE OF THE ORGANIZATION

The Brandon Regional Health Authority ("Authority") was incorporated under the laws of Manitoba on January 6, 1997. The Authority commenced activity on April 1, 1998. The Authority is principally involved in providing health care services to the community of Brandon and surrounding regions. The Authority is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) *Basis of Reporting*

The Authority provides health care services through devolved and contract facilities. All significant inter-divisional transactions of these organizations have been eliminated.

The assets, liabilities, and operations of the following devolved organizations have been included in these financial statements:

Brandon Regional Health Centre
Child and Adolescent Treatment Centre
Community and Home Care Health Services
Community Mental Health Services
Fairview Home
Rideau Park Personal Care Home
Westman Laundry

The health care services provided by the contract facilities are delivered under the control of the Authority as the major funder. The financial position and results of operations of these related organizations (The Salvation Army Dinsdale Personal Care Home and Westman Regional Laboratory Services Inc.) have not been consolidated. Instead a summary of their financial information has been included in these notes (Note 14).

b) *Revenue recognition*

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) *Revenue recognition (Continued)*

Under the Health Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2003.

Unrestricted contributions are recognized as revenue when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.

c) *Contributed services*

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

d) *Inventories*

Inventories are valued at average cost, except pharmacy inventory which is valued at the actual cost using the first in, first out method.

e) *Investments*

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) ***Capital assets***

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to its residual value.

Capital assets, excluding vehicles are amortized on a straight-line basis using the following annual rates:

Land & parking lots	10%
Buildings	2.5% - 6.67%
Building service equipment/equipment	5% - 20%

Vehicles are amortized an a declining balance basis using 30% as the annual rate and are included in building service equipment/equipment.

g) ***Compensated absences***

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Authority's benefit plans for vacation.

h) ***Pre-Retirement entitlement obligation***

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- have ten years service and have reached the age of 55 or
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
- retire at or after age 65
- terminate employment at any time due to permanent disability

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service
- two weeks of additional severance pay for each increment of five years service past the 15 years of service up to 35 years of service

The Authority has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of the employees who have not yet met the criteria above. Funding for the retirement entitlement is recoverable from Manitoba Health in the year of payment.

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.5% and a rate of salary increase of 4.0% plus age related merit/promotion scale with nil for disability.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) *Due From Manitoba Health - Employee Future Benefits*

Funding for vacation entitlements and pre-retirement entitlement obligations is provided by Manitoba Health as part of its regular budget in the period in which expenditures are made. Accordingly, the cost of the estimated accrued vacation pay and pre-retirement entitlement obligations at year end is recorded on the statement of financial position as a receivable from Manitoba Health.

j) *Due to/from Manitoba Health*

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid by Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

k) *Financial Instruments*

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Authority's accounts receivable are comprised mostly of amounts due from the government of Manitoba which minimizes credit risk.

Interest Rate Risk

Interest rate risk is the risk arising from fluctuations in short term interest rates and the volatility of those rates. The Authority mitigates this risk by retaining the option to convert all floating rate borrowings to fixed rate borrowings.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) *Financial Instruments (Continued)*

Fair Value

The carrying amount of short term financial assets and liabilities are a reasonable estimate of the fair values because of the short maturity of those instruments. Short term financial assets are comprised of cash, accounts receivable and the current portion of the Due from Manitoba Health - Vacation.
Short term financial liabilities are comprised of accounts payable and accrued liabilities, bank advances and the current portion of Employee Future Benefits - Vacation.

The fair value of the long term receivable Due from Manitoba Health - Pre-retirement and the fair value of the long term obligation Accrued Employee Future Benefits - Pre-retirement could not be determined because there is no set date for repayment.

3 ACCOUNTS RECEIVABLE

	2003	2002
Manitoba Health		
Retroactive Salary Increases	$ 953,686	$ -
Other Operations	557,493	(212,570)
Approved Capital Borrowing	(111,673)	790,921
Out of Globe - 2001/02	27,102	199,842
Out of Globe - 2002/03	(94,389)	-
	1,332,219	778,193
Patients	141,914	304,307
Government of Canada - Goods and Services Tax	398,965	267,229
BRHC Foundation , BGH Auxiliary and Westman Laboratory	1,956,412	366,097
Sundry	1,007,391	750,232
	4,836,901	2,466,058
Less allowance for doubtful accounts	(24,121)	(99,277)
	$ 4,812,780	$ 2,366,781

4 INVESTMENTS

	2003	
	Cost	Fair Value
Government of Canada Bonds	$ 1,642,622	$ 1,668,518
Other Bonds	2,159,297	2,235,584
GICs	25,000	25,440
Equities	2,509	2,509
	$ 3,829,428	$ 3,930,051

	2002	
	Cost	Fair Value
Government of Canada Bonds	$ 1,573,734	$ 1,583,923
Other Bonds	1,202,364	1,213,686
GICs	719,583	719,583
Equities	680	680
	$ 3,496,361	$ 3,517,872

The fair value of the investments is based on the year end quoted market bid price.

5 CAPITAL ASSETS

	2003		
	Cost	Accumulated Amortization	Net Book Value
Land & parking lots	$ 3,309,343	$ 722,142	$ 2,587,201
Buildings	55,978,076	19,660,225	36,317,851
Building service equipment/equipment	52,372,805	36,741,734	15,631,071
Work in Progress	25,276,858	-	25,276,858
	$ 136,937,082	$ 57,124,101	$ 79,812,981

	2002		
	Cost	Accumulated Amortization	Net Book Value
Land & parking lots	$ 3,309,343	$ 637,333	$ 2,672,010
Buildings	55,906,871	18,252,801	37,654,070
Building service equipment/equipment	43,184,801	32,146,287	11,038,514
Work in Progress	3,625,741	-	3,625,741
	$ 106,026,756	$ 51,036,421	$ 54,990,335

During the year, the Authority purchased capital assets with an aggregate cost of $ 30,910,326 of which $2,082,016 were acquired by means of a capital lease. Cash payments of $28,828,310 were made to purchase capital assets.

6 LOANS AND MORTGAGES PAYABLE

	2003	2002
School of Nursing Building 5.75% mortgage, repayable $27,241 semi-annually, including interest, maturing 2019. The mortgage is secured by land and buildings.	$ 564,971	$ 586,053
Fairview Home 6% mortgage, repayable $3,907 monthly, including interest, maturing 2018. The mortgage is secured by land and buildings.	472,345	490,425
Fairview Home 7 1/2% mortgage, repayable $2,778 monthly, including interest, maturing 2023. The mortgage is secured by land and buildings.	347,584	354,755
Fairview Home 10 1/8%, sinking fund debenture, repayable $97,318 monthly, including interest, maturing 2008. The indenture documentation assigns the subsidies provided by Manitoba Health for payment of the debenture.	9,250,000	9,250,000

6	LOANS AND MORTGAGES PAYABLE (Continued)		2003		2002
	City of Brandon 6.5% loan, repayable $159,529 annually, including interest, maturing 2015.		1,289,067		1,360,184
			11,923,967		12,041,417
	Less current portion		(356,338)		(350,058)
		$	11,567,629	$	11,691,359

The fair value of the Authority's long term debt is $6,459,375 as at March 31, 2003 (2002 - $7,336,446) calculated using discounted cash flow analysis based on incremental borrowing rates currently available for similar terms and maturities.

Principal payments due in the next five years are as follows:			
	2004	$	356,338
	2005		364,331
	2006		372,835
	2007		381,885
	2008		9,410,266

7 OBLIGATION UNDER CAPITAL LEASE

The Authority has obligations under capital lease for equipment secured by the equipment. The minimum capital lease payment based on the lease is as follows:

		2003		2002
2004	$	330,522	$	-
2005		349,705		-
2006		370,001		-
2007		391,475		-
2008		200,428		-
		1,642,131		-
Less: Current Portion		(330,522)		-
	$	1,311,609	$	-

Interest costs over the life of the lease are $224,937 which are calculated at 5.722%.

8 DEFERRED CONTRIBUTIONS

a) *Expenses of future periods*

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment and construction projects.

	2003	2002
Balance, beginning of year	$ 974,124	$ 736,411
Add amount received	983,304	776,083
Less amount transferred to deferred contributions related to capital assets	(99,900)	-
Less amount amortized to revenue in the year	(883,524)	(538,370)
Balance, end of year	**$ 974,004**	**$ 974,124**

b) *Grants from the Province of Manitoba*

The Authority obtained financing from the Province of Manitoba in the form of promissory notes. The Province, as the lender, will also provide future funding to repay those promissory notes. Accordingly, for accounting purposes this form of financing and funding is considered to be a grant received from the Province and is accounted for as a deferred contribution.

	2003	2002
Balance, beginning of year	$ 16,756,944	$ 18,340,277
Add new financing	15,500,000	-
Less principal payments transferred to capital assets	(1,665,007)	(1,583,333)
	$ 30,591,937	$ 16,756,944
Province of Manitoba #1		
Promissory note, repayable $131,944 monthly, plus interest at 7%, maturing 2012.	$ 15,173,611	$ 16,756,944
Province of Manitoba #2		
Promissory note, repayable $81,578 monthly, plus interest at bankers acceptance plus .25%, maturing 2019.	15,418,326	
	$ 30,591,937	$ 16,756,944

The fair value of the Authority's loans payable to the province is $28,072,605 as at March 31, 2003 (2002 - $28,287,851) calculated using discounted cash flow analysis based on incremental borrowing rates currently available for similar terms and maturities.

8 DEFERRED CONTRIBUTIONS (Continued)

c) *Capital assets*

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2003	2002
Balance, beginning of year	$ 20,254,768	$ 19,738,128
Additional contributions received	7,760,825	4,236,249
Add amount transferred from expenses of future periods	99,900	-
Less amounts amortized to revenue in the year	(4,618,957)	(3,719,609)
Balance, end of year	$ 23,496,536	$ 20,254,768

The balance of unamortized capital contributions related to capital assets consists of the following:

	2003	2002
Unamortized capital contributions used to purchase assets	$ 24,192,752	$ 20,293,645
(Overspent)/unspent contributions	(696,216)	(38,877)
	$ 23,496,536	$ 20,254,768

9 INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	2003	2002
Capital assets	$ 79,812,981	$ 54,990,335
Funds held by Manitoba Health	5,674,396	5,201,019
Amounts financed by:		
Deferred contributions	(24,192,752)	(20,293,645)
Deferred contributions - Loans Payable to the Province	(30,591,937)	(16,756,944)
Obligation under capital lease	(1,642,131)	-
Accounts Payable	(1,220,983)	(387,464)
Loan and mortgage payable	(23,322,528)	(17,025,760)
	$ 4,517,046	$ 5,727,541

10 RESTRICTED ASSETS

Internally Restricted

The Board of Directors has restricted net assets related to non Manitoba Health activities of $3,456,596 (2002 - $3,045,145). The revenue earned on these restricted assets is used for the operations of these non Manitoba Health activities and for possible capital asset purchases.

Externally Restricted

Net assets are restricted for scholarship purposes and are subject to externally imposed restrictions that the assets be maintained permanently. Investment income from this fund is restricted for a scholarship.

11 MANITOBA HEALTH REVENUE

	2003	2002
Allocation per Funding Document	$ 120,500,957	$ 107,735,809
Add: MAHCP Accrual	36,163	181,131
CUPE Accrual	929,716	336,461
Medical Remuneration Retroactive Payments	139,834	-
One Time Funding	1,700,000	-
Less: Deferral of Income for Grant Funded Programs	(53,270)	(8,500)
Rural pharmacy portion of Recruitment & Retention	(44,550)	-
Total Funding Approved by Manitoba Health	123,208,850	108,244,921
Add: Other Income		
Non-Global Reconciliation	510,493	538,351
Pharmacy Recruitment & Retention	252,582	-
Miscellaneous Program Income	-	33,234
Midwifery funding	244,149	173,607
Fee for Service Income	1,840,124	1,572,336
Future Employee Benefits	1,195,501	582,665
Arbitration Award - 12 Hour Shifts	49,359	-
Less: Amounts recorded in Deferred Contributions	(3,220,800)	(2,743,420)
Total Revenue from Manitoba Health	$ 124,080,258	$ 108,401,694

12 COMMITMENTS AND CONTINGENCIES

a) The Authority has entered into various operating lease commitments. The amount payable over the next five years are as follows:

2004	$	350,474
2005		368,594
2006		405,743
2007		414,845
2008		424,228

b) The Authority is subject to individual legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the financial position of the Authority.

c) Effective January 1, 2003 the Authority joined in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks for its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2003.

13 PENSION PLAN

The majority of the employees of the Authority are members of the Health Employees Pension Plan (HEPP), which is a multi-employer defined benefit pension plan. HEPP plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual health entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by HEPP by placing plan assets in trust and through HEPP investment policy. Pension expense is based on HEPP management's best estimates, in consultation with its actuaries, of the amount, together with the 5% basic annual earnings up to the Canada Pension Plan ceiling plus 6.6% of basic earnings in excess of the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by HEPP. The funding objective is for employer contributions to HEPP to remain a constant percentage of employee's contributions.

Variance between actuarial funding estimates and actual expenditures may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2000, indicates the plan is fully funded. Actual contributions to HEPP made during the year by the Authority on behalf of its employees amounted to $2,437,984 (2002 - $2,188,152) and are included in statement of operations.

The remaining employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participation in the pension plan by the Authority and its employees.

14 NON-DEVOLVED FACILITIES

The Authority has a contract arrangement with The Salvation Army Dinsdale Personal Care Home, which provides long term care in the community of Brandon. In addition, the organization carries out the charitable, educational, religious and other benevolent objects and purposes of the Salvation Army. The organization is a registered charity under the Income Tax Act.

The Authority also has the responsibility of providing management services to Westman Regional Laboratory Services Inc. ("Westman Lab"). Westman Lab provides laboratory services to a number of health care providers in Manitoba. The majority of Westman Lab's revenue is from Manitoba Health.

The Authority does recognize that since there is economic dependence of both Dinsdale Personal Care Home and Westman Lab on the Authority, accounting control does exist between the Authority and these organizations. In light of this, Management of the Authority has provided a financial summary of these organizations. All revenues received by the Authority on behalf of Westman Lab and Dinsdale Personal Care Home are reflected in the Authorities revenues and payments issued to these entities are recorded as expenses. In addition, the operating deficit for Dinsdale Personal Care Home has been recorded as an expense in the Authorities financial statements.

Financial statements of Dinsdale Personal Care Home and Westman Lab are available upon request.

The Salvation Army Dinsdale Personal Care Home

	2003	2002
FINANCIAL POSITION		
Total assets	$ 2,969,851	$ 3,064,113
Total liabilities	$ 2,722,568	$ 2,766,139
Total net assets	247,283	297,974
	$ 2,969,851	$ 3,064,113
RESULTS OF OPERATIONS		
Total revenues	$ 2,865,506	$ 2,754,174
Total expenses	(2,916,197)	(2,800,754)
Net operating deficit	$ (50,691)	$ (46,580)

Westman Regional Laboratory Services Inc.

	2003	2002
FINANCIAL POSITION		
Total assets	$ 3,330,056	$ 3,264,601
Total liabilities	$ 3,336,947	$ 3,271,492
Total net assets	(6,891)	(6,891)
	$ 3,330,056	$ 3,264,601

14 NON-DEVOLVED FACILITIES (Continued)

RESULTS OF OPERATIONS

Total revenues	$	11,641,771	$	11,057,681
Total expenses		(11,961,789)		(11,178,884)
Net operating shortfall (recoverable from Manitoba Health)	$	(320,018)	$	(121,203)

Westman Regional Laboratory Services Inc. 2002 figures were restated to record Manitoba Health Income for pre-retirement expenses. A portion of the deficit for 2002 was not covered by Manitoba Health.

15 RESTATEMENT OF PRIOR PERIODS

During the year the Authority modified their method of accounting for accrued obligations, accrued vacation obligations and accrued overtime obligations at the request of Manitoba Health. The prior period comparative numbers have been retroactively restated to account for the change. The net effect of the restatement for the year ended March 31, 2002 is to increase Manitoba Health income by $582,665 and increase the acute care services expenditures by $582,665.

A prepayment on the capital lease was amortized in the previous year. To properly reflect the amortization on the capital equipment the amortization has been restated. The net effect of the restatement for the year ended March 31, 2002 is to increase capital assets and deferred contributions by $32,745 and decrease amortization of deferred contributions and amortization of capital assets by $32,745.

BDO

BDO Dunwoody LLP
Chartered Accountants
and Consultants
www.bdo.ca

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone: (204) 956-7200
Telefax: (204) 926-7201

Auditors' Report

To the Board of Directors
BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

We have audited the statement of financial position of **BURNTWOOD REGIONAL HEALTH AUTHORITY INC.** as at March 31, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 30, 2003

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.
Statement of Financial Position

March 31, 2003	2003	2002
Assets		
Current Assets		
Deferred vacation entitlements	$ 2,299,073	$ 2,151,085
Accounts receivable (Note 1)	1,476,465	1,198,421
Due from Manitoba Health (Note 2)	698,409	121,395
Inventories	452,740	448,049
Prepaid expenses	93,658	330,994
	5,020,345	4,249,944
Deferred retirement obligations	1,408,435	1,257,062
Capital assets (Note 3)	30,815,258	30,261,375
Restricted Cash		
Thompson Personal Care Home Construction Donations	379,682	122,528
	$ 37,623,720	$ 35,890,909
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 4)	$ 2,025,676	$ 1,715,643
Accounts payable	2,812,228	2,454,812
Accrued vacation entitlements	2,299,073	2,151,085
Deferred revenue (Note 5)	657,666	552,614
Lines of credit (Note 6)	635,087	-
Current portion of capital lease obligations (Note 8)	227,595	93,933
Current portion of long-term debt (Note 7)	748,400	676,940
	9,405,725	7,645,027
Accrued retirement obligations (Note 13)	1,408,435	1,257,062
Long-term debt (Note 7)	12,781,820	12,560,096
Capital lease obligations (Note 8)	1,308,739	1,541,624
Deferred Contributions (Note 9)		
Expenses of future periods	481,540	182,748
Capital assets	8,723,035	7,966,360
	34,109,294	31,152,917
Commitments and contingencies (Note 14)		
Net Assets		
Net assets invested in capital assets (Note 10)	6,390,582	7,422,422
Net assets internally restricted	196,375	196,375
Unrestricted net assets	(3,072,531)	(2,880,805)
	3,514,426	4,737,992
	$ 37,623,720	$ 35,890,909

On behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.
Statement of Changes in Net Assets

For the year ended March 31, 2003

	Investment in Capital Assets (Note 10)	Restricted Donations	Unrestricted	2003	2002
Balance, beginning of year, as previously reported	$ 5,884,311	$ 196,375	$ (1,342,694)	$ 4,737,992	$ 5,850,719
Adjustment to investment in capital assets (Note 15)	1,538,111	-	(1,538,111)	-	-
Balance, beginning of year, as restated	7,422,422	196,375	(2,880,805)	4,737,992	5,850,719
Deficiency of revenue over expenditures for the year	(477,916)	-	(745,650)	(1,223,566)	(1,112,727)
Net changes in investment in capital assets (Note 10)	(553,924)	-	553,924	-	-
Balance, end of year	$ 6,390,582	$ 196,375	$ (3,072,531)	$ 3,514,426	$ 4,737,992

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.
Statement of Operations

For the year ended March 31	2003	2002
Revenue		
Amortization of deferred contributions	$ 818,338	$ 843,003
Ancillary programs	771,085	798,585
Manitoba Health	42,091,152	38,228,083
NPTP recoveries	1,074,822	1,201,245
Other	823,351	788,972
Patient	388,187	314,268
	45,966,935	42,174,156
Expenses		
Acute care services	21,789,422	19,524,952
Amortization of capital assets	818,338	843,003
Ancillary operations	743,683	648,527
Community based - health services	3,858,824	3,600,712
Community based - home care	896,987	1,025,560
Community based - mental health	428,522	469,728
Interest on long-term debt	823,598	426,983
Land ambulance	227,928	227,928
Medical remuneration	10,727,102	10,593,446
NPTP	4,944,858	5,647,935
Regional health authority	1,444,096	1,145,418
Support to seniors	25,800	25,800
	46,729,158	44,179,992
Deficiency of revenue over expenditures for the year before other items	(762,223)	(2,005,836)
Other Items		
Amortization of net assets invested in capital assets	(477,916)	(471,284)
Manitoba Health - past commitments	16,573	1,364,393
	(461,343)	893,109
Deficiency of revenue over expenditures for the year	$ (1,223,566)	$ (1,112,727)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.
Statement of Cash Flows

For the year ended March 31	2003	2002
Cash Flows from Operating Activities		
Deficiency of revenue over expenses	$ (1,223,566)	$ (1,112,727)
Adjustments for		
Transfer to deferred contributions	-	-
Amortization of capital assets	1,296,254	1,314,287
Amortization of deferred contributions	(818,338)	(843,003)
	(745,650)	(641,443)
Changes in non-cash working capital balances		
Deferred vacation entitlement	(147,988)	(232,959)
Accounts receivable	(278,044)	(507,392)
Due from Manitoba Health	(577,014)	2,332,820
Inventories	(4,691)	(132,462)
Prepaid expenses	237,335	(174,691)
Deferred retirement obligations	(151,373)	(140,000)
Accounts payable	357,415	(306,329)
Accrued vacation entitlements	147,988	232,959
Deferred revenue	105,052	60,058
Accrued retirement obligations	151,373	140,000
	(905,597)	630,561
Cash Flows from Investing and Financing Activities		
Purchase of capital assets	(1,850,138)	(6,202,262)
Decrease in deferred charges	-	722
Loan advances	1,027,577	13,383,591
Bank loan payments	(734,390)	(146,555)
Decrease in capital lease obligations	(99,223)	(89,496)
Receipt of deferred contributions related to capital assets	1,575,013	1,170,835
Increase (decrease) in deferred contributions related to expenses of future periods, net	298,792	-
Lines of credit	635,087	(8,758,670)
	852,718	(641,835)
Decrease in cash and cash equivalents during the year	(52,879)	(11,274)
Cash and cash equivalents, beginning of year	(1,593,115)	(1,581,841)
Cash and cash equivalents, end of year	$ (1,645,994)	$ (1,593,115)
Represented by:		
Bank Indebtedness	$ (2,025,676)	$ (1,715,643)
Restricted cash	379,682	122,528
	$ (1,645,994)	$ (1,593,115)
Supplementary Information:		
Interest paid during the year	$ 823,598	$ 426,983

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.
Summary of Significant Accounting Policies

March 31, 2003

Nature and Purpose of Organization

Burntwood Regional Health Authority Inc. is a non-profit organization incorporated without share capital under the laws of Manitoba. The Authority is involved in the provision of health care services to persons resident in the Burntwood Region. The Authority is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Basis of Reporting

These financial statements include the accounts of all controlled not-for-profit organizations of the Authority. All significant inter departmental transactions have been eliminated. The assets, liabilities, and operations of the following controlled not-for-profit operations have been included in these financial statements:

Community Health Resource Centre
Community Health Services
Gillam Hospital
Leaf Rapids Health Centre
Lynn Lake Hospital
Northern Consultation Centre
Pikwitonei Community Health Centre
Thicket Portage Community Health Centre
Thompson General Hospital
Wabowden Community Health Centre

Revenue Recognition

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with Manitoba Health with respect to the year ended March 31, 2003.

With respect to actual operating results, certain adjustments to funding will be made by Manitoba Health after completion of their review of the Authority's accounts.

In Globe Funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe Funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to global funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such times as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding is funding approved by Manitoba Health for specific programs.

Any operating surpluses related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficits related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid to Manitoba Health are absorbed by the Authority.

Any adjustments will be reflected in the year the final statement of recommended costs is received from Manitoba Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.

Contributed Materials and Services

Contributed materials and services which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Financial Instruments

The Authority's financial instruments consist of cash, accounts receivable, grants receivable, temporary investments, bank indebtedness, accounts payable, amounts due to (from) Manitoba Health and long-term debt. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Temporary Investments

Temporary investments are stated at the lower of cost and market value.

Inventories

Inventories are stated at the lower of cost and replacement cost. Cost is generally determined on a moving average basis.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.
Summary of Significant Accounting Policies

March 31, 2003

Capital Assets

Purchased capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Building	40 years straight-line basis
Computers	4 years straight-line basis
Equipment	10 years straight-line basis

Deferred Vacation Entitlements

Accrued vacation pay is deferred and charged to expense as the employees take the corresponding vacation time.

Deferred Retirement Obligations

The Authority pays accumulated benefits to eligible employees upon retirement. Actuarial estimates of the present value of projected benefits to be paid under the plan have been recorded as a liability of the Authority, with a corresponding deferred expense.

Assets Under Capital Lease

Assets under capital lease are recorded at cost. Amortization based on the estimated useful life of the asset is as follows:

Leaseholds	15 years straight-line basis
Equipment	10 years straight-line basis

Net Assets Internally Restricted

Part of the net assets of the Authority have been restricted as approved by the Board of Directors or in accordance with the specific directives of donors. Transfers among net asset classes are recorded when approved by the board of directors.

The donation fund includes transactions related to donations and bequests. Expenditures from the donation fund are at the discretion of the Burntwood Regional Health Authority Inc. governing board.

1. Accounts Receivable

	2003	2002
Patients receivable	$ 241,199	$ 184,811
Other	607,098	448,997
Goods and services tax	173,895	105,242
Northern Patient Transport Program	523,723	514,371
Allowance for doubtful accounts	(69,450)	(55,000)
	$ 1,476,465	$ 1,198,421

2. Due from Manitoba Health

	2003	2002
1998/99 Interest on approved borrowings	$ -	$ (158,725)
MNU Contract	197,591	-
UFCW Contract	213,240	-
Accreditation	38,500	-
Pharmacy retention program	15,609	-
Public health immunization	44,736	-
Pre-retirement leave	90,000	-
2001/02 Pre-retirement	-	51,604
2001/02 Physician participation on regional committees	-	101,423
2001/02 Midwife program	-	5,166
2001/02 Emergency Medical Officer retroactive pay	-	50,597
2001/02 Interest on approved borrowings	-	(119,083)
2001/02 Medical remuneration	220,379	220,379
2001/02 Authorized charges excess	-	(29,966)
2002/03 Interest on approved borrowings	(2,135)	-
2002/03 Medical remuneration	(119,511)	-
	$ 698,409	$ 121,395

3. Capital Assets

	2003			2002		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	$ 13,694	$ -	$ 13,694	$ 13,694	$ -	$ 13,694
Buildings	24,484,509	6,773,813	17,710,696	23,815,646	6,165,253	17,650,393
Computers	770,078	770,078	-	763,982	686,527	77,455
Equipment	13,584,054	10,718,504	2,865,550	12,904,383	10,114,360	2,790,023
Construction in progress	10,225,318	-	10,225,318	9,729,810	-	9,729,810
	$ 49,077,653	$ 18,262,395	$ 30,815,258	$ 47,227,515	$ 16,966,140	$ 30,261,375

Included in capital asset additions during the year is interest of $13,399 which has been capitalized.

4. Bank Indebtedness

The Burntwood Health Authority Inc. has an authorized line of credit of $2.1 million bearing interest at the bank's prime rate minus 1/2%. Security provided on this line of credit includes an overdraft borrowing agreement and a Letter of Comfort from Manitoba Health.

5. Deferred Revenue

Deferred revenues consist of Manitoba Health funding for various programs received in the current fiscal year. This allocation of funding is recognized as revenue when program expenses are incurred. The change in the deferred revenues balance for the year is as follows:

	2003	2002
Balance, beginning of year	$ 552,614	$ 492,556
Amount recognized as revenue in the current year	729,625	623,834
Amount deferred in the current year	(624,573)	(563,776)
Balance, end of year	$ 657,666	$ 552,614

6. Lines of Credit

	2003	2002
Demand operating line of credit payable to the Royal Bank of Canada bearing interest at prime minus 0.65% to a maximum of $569,604.	$ 541,705	$ -
Demand operating line of credit payable to the Royal Bank of Canada bearing interest at prime minus 0.65% to a maximum of $307,800.	93,382	-
	$ 635,087	$ -

The Royal Bank lines of credit are secured by Letters of Comfort from Manitoba Health.

7. Long-term Debt

	2003	2002
Note payable to Province of Manitoba Department of Finance with monthly principal payments of $54,167 plus interest at 6.25% due January 2022.	$ 12,241,667	$ 12,891,667
Demand loan payable to Royal Bank with monthly principal and interest payments of $3,100, interest at prime less .65%.	768,764	345,369
Demand loan payable to Royal Bank with monthly principal and interest payments of $2,355, interest at prime less .65%.	406,554	-
Demand loan payable to Royal Bank with monthly principal and interest payments of $2,765, interest at prime less .65%.	113,235	-
	13,530,220	13,237,036
Current portion of long-term debt	748,400	676,940
	$ 12,781,820	$ 12,560,096

The Royal Bank loans are secured by Letters of Comfort from Manitoba Health. Principal payments due in the next five years are as follows:

2004	$ 748,400
2005	748,400
2006	748,400
2007	728,915
2008	715,220

8. Capital Lease Obligations

	2003	2002
The obligations under capital equipment lease are at rates of 6.0% and 6.5%, are due November 11, 2003 and December 4, 2003 and are repayable in monthly amounts of $1,360 and $1,839 principal and interest respectively.	$ 16,859	$ 56,787
The obligations under the lease are at rates of 2% above prime adjusted semi-annually. The lease which is under flexible repayment terms is currently being repaid over 15 years with payments of $16,681 (principal and interest).	1,519,475	1,578,770
	1,536,334	1,635,557
Amount due within one year included in current liabilities	227,595	93,933
	$ 1,308,739	$ 1,541,624

The obligations under capital leases are secured by certain plant and office equipment.

The future minimum lease payments for the next 5 years are as follows:

2004	$ 227,595
2005	200,168
2006	200,168
2007	200,168
2008	200,168

9. Deferred Contributions

(a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs and construction projects.

	2003	2002
Balance, beginning of year	$ 182,748	$ 2,530
Add amount received during year	298,792	180,218
Balance, end of year	$ 481,540	$ 182,748

(b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or approved borrowing.

	2003	2002
Balance, beginning of year	$ 7,966,360	$ 7,821,276
Additional contributions received	1,575,013	988,087
Less amounts amortized to revenue	(818,338)	(843,003)
Balance, end of year	$ 8,723,035	$ 7,966,360

10. Investment in Capital Assets

(a) Investment in capital assets is calculated as follows:

	2003	2002
Capital assets	$ 30,815,258	$ 30,261,375
Amounts financed by		
Deferred contributions	8,723,035	7,966,360
Lines of credit	635,087	-
Loan and mortgage payable	13,530,220	13,237,036
Capital leases	1,536,334	1,635,557
	$ 6,390,582	$ 7,422,422

(b) Change in net assets invested in capital assets is calculated as follows:

	2003	2002
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	$ 818,338	$ 843,003
Amortization of investment in capital asset	-	-
Amortization of capital assets	1,296,254	1,314,287
	$ (477,916)	$ (471,284)
Net changes in investment in capital assets		
Purchase of capital assets, net	$ 1,850,138	$ 6,202,262
Amounts funded by		
Debt repayment	734,390	8,905,225
Deferred contributions	(6,324)	(193,096)
Transfers		
Repayment of capital lease	99,223	89,496
Loan advance	(1,662,661)	(13,383,591)
Manitoba Health - capital asset funding	(834,290)	(275,322)
Manitoba Health debt service funding	(734,400)	(699,888)
	$ (553,924)	$ 645,086

11. Revenue from the Manitoba Health

Revenue as per Manitoba Health document	$ 42,089,358
Add	
MNU related contact	197,591
UFCW related contract	213,240
One-time funding	450,000
Miscellaneous payments	16,283
Out of Globe	
Pre-Retirement	90,000
ER OPD offsite arbitration	19,013
Miscellaneous	42
Equipment funding	705,962
	1,692,131
Deduct	
Out of Globe	
Interest on approved borrowings	(2,136)
Medical remuneration	(119,511)
	(121,647)
Total funding approved by Manitoba Health	43,659,842
Deduct	
Amounts recorded as deferred contributions	(1,568,690)
Revenue from Manitoba Health	$ 42,091,152

12. Pension Plans

Substantially all of the employees of the Authority are members of the Healthcare Employees Pension Plan (a successor of the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5.0% of salary and 6.6% of salary over $39,100 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee's contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at January 1, 2002 indicates the Plan is fully funded.

The remainder of employees are members of the Province of Manitoba's defined benefit Superannuation Pension Fund. Liability for variances between actuarial funding estimates and actual experience lies with the Province.

13. Pre-retirement Obligations

	2003	2002
Members of the Health Employees Pension Plan	$ 1,252,035	$ 1,120,462
Members of the Civil Service Superannuation Plan	156,400	136,600
	1,408,435	1,257,062

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- have ten years service and have reached the age of 55 or
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
- retire at or after age 65
- terminate employment at any time due to permanent disability

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service.
- 2 weeks of additional severance pay for each increment of five years service past the 15 years of service up to 35 years of service.

14. Commitments and Contingencies

(a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2003, management believes the Authority has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

(b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2003.

15. Comparative Figures

Certain of the comparative figures for the year ended March 31, 2002 have been reclassified to provide better comparison with the current year's presentation. Opening Unrestricted Net Assets has been restated by $1,538,111 with an corresponding increase to Net Assets Invested in Capital Assets to properly reflect the balances at March 31, 2002. Excess of revenue over expenditures remains as previously reported.

16. Inter Program Charges

Included in the statement of operations are inter program charges which result in a reduction in Regional health authority costs of $226,148, a reduction in acute costs of $173,980 and an increase in medical remuneration expenses of $345,628.

BDO

BDO Dunwoody LLP
Chartered Accountants
and Consultants
www.bdo.ca

[illegible] Saskatchewan [illegible]
Portage la Prairie [illegible]
Telephone [illegible]
1-800-897-6240
Telefax (204) 239-1664

Auditors' Report

**To the Board of Directors of
Churchill RHA Inc.**

We have audited the statement of financial position of Churchill RHA Inc. as at March 31, 2003 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the RHA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We did not attend the physical inventory taking at March 31, 2003 and March 31, 2002, and we were unable to satisfy ourselves as to the inventory quantities by other audit procedures. Accordingly, we were unable to determine whether any adjustments might be necessary to opening and closing inventory, revenue and expenditures and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to examine the inventory quantities referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the RHA as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Portage la Prairie, Manitoba
May 27, 2003

Churchill RHA Inc.
Statement of Financial Position

March 31,	2003	2002
Assets		
Current Assets		
Accounts receivable (Note 1)	$ 364,399	$ 356,937
Due from Manitoba Health (Note 2)	406,348	140,029
Inventory	441,792	236,412
Goods and services tax recoverable	51,554	33,123
Prepaid expenses	43,852	61,403
Accounts receivable - Province of Manitoba	310,239	205,026
	1,618,184	1,032,930
Capital assets (Note 3)	3,544,690	2,861,198
Accounts receivable - Province of Manitoba (Note 6)	155,480	130,621
	$ 5,318,354	$ 4,024,749

Liabilities and Deficiency in Net Assets

	2003	2002
Current Liabilities		
Bank indebtedness (Note 4)	$ 805,899	$ 868,790
Bank loan - capital projects	1,451,006	737,986
Accounts payable and accrued liabilities	839,323	764,068
Accounts payable - capital	244,701	9,639
Accounts payable - Province of Manitoba	500,000	-
Payable to Churchill RHA Health & Healing Foundation Inc.	9,803	9,803
Security deposits	8,369	4,903
Vacation, overtime and statutory holiday pay payable	310,239	205,026
Current portion of capital lease obligations(Note 5)	36,545	34,613
Deferred income	-	25,000
	4,205,885	2,659,828
Capital lease obligations (Note 5)	155,475	192,020
Pre-retirement entitlements (Note 6)	165,480	130,621
Deferred contributions related to capital assets (Note 7)	1,551,558	1,398,124
	6,068,398	4,380,593
Deficiency in Net Assets		
Net assets invested in capital assets (Note 9)	1,801,112	1,236,442
Externally restricted - Separately Funded Programs (Note 10)	74,670	113,610
Unrestricted net assets	(2,625,826)	(1,705,896)
	(750,044)	(355,844)
Contingencies (Note 11)		
	$ 5,318,354	$ 4,024,749

On behalf of the Board:

_______________ Director

_______________ Director

Churchill RHA Inc.
Statement of Changes in Net Assets

For the year ended March 31,	Invested In Capital Assets	Externally Restricted Separately Funded Programs	Unrestricted	2003	2002
Balance, beginning of year	$ 1,236,442	$ 113,610	$ (1,705,896)	$ (355,844)	$ 920,474
Excess of expenses over revenue for the year	(39,480)	(96,837)	(257,883)	(394,200)	(1,276,318)
Interfund transfers	604,150	57,897	(662,047)	-	-
Balance, end of year	$ 1,801,112	$ 74,670	$ (2,625,826)	$ (750,044)	$ (355,844)

Churchill RHA Inc.
Statement of Revenue and Expenditures

For the year ended March 31,		2003	2002
Revenue			
Manitoba Health funded			
Hospital	$	5,046,663 $	4,155,264
Diagnostic Services		360,696	344,622
Medical Clinic		308,520	278,520
Dental Clinic		137,244	137,666
Community Services		708,934	645,705
Addictions Program		19,000	57,000
Northern Patient Transportation Program		829,248	505,394
Land Ambulance		83,004	93,363
Home Care		51,272	31,008
Amortization of Deferred Contributions		370,000	312,000
Offset Income		682,024	713,660
Employee Future Benefits		130,072	29,977
		8,724,677	7,304,179
Separately funded programs			
Churchill Child and Family Services		195,808	162,464
Receiving Home		284,091	268,926
Nunavut Services		50,351	69,196
Baby First and Healthy Baby programs		41,100	36,725
		571,350	557,311
Ancillary income, net (Schedule)		70,346	53,816
		9,366,373	7,915,306
Expenses			
Manitoba Health funded			
Hospital		5,546,160	5,254,755
Diagnostic Services		624,732	521,623
Medical Clinic		304,745	312,585
Dental Clinic		168,960	136,713
Community Services		629,175	642,297
Addictions Program		54,014	54,377
Northern Patient Transportation Program		917,659	996,059
Amortization		411,342	358,838
Land Ambulance		205,860	173,624
Home Care		42,047	39,095
Regional Helth Authority Administrative Costs		50,821	65,265
Interest and Bank Charges		48,889	22,582
Interest on Obligation Under Capital Lease		16,669	13,352
Employee Future Benefits		130,072	29,977
		9,152,145	8,621,142
Separately funded programs			
Churchill Child and Family Services		175,376	167,695
Receiving Home		317,627	350,903
Nunavut Services		69,592	60,529
Baby First and Healthy Baby programs		47,695	32,660
		610,290	611,787
		9,762,435	9,232,929
Excess of expenses over revenues before other income		(396,062)	(1,317,623)
Other income			
Prior years deficit funding		-	28,774
Gain on disposal of capital assets		1,862	12,531
		1,862	41,305
Excess of expenses over revenues for the year	$	(394,200) $	(1,276,318)

Churchill RHA Inc.
Statement of Cash Flows

For the year ended March 31,	2003	2002
Cash Flows from Operating Activities		
Excess of expenses over revenue	$ (394,200)	$ (1,276,318)
Adjustments for items not involving cash		
Amortization of capital assets	411,342	358,838
Gain on disposal of assets	(1,862)	(12,531)
Amortization of deferred contributions	(370,000)	(312,000)
	(354,720)	(1,242,011)
Net change in non-cash operating working capital		
Accounts receivable	(7,462)	(38,195)
Due from Manitoba Health	(266,318)	952,471
Inventory	(205,381)	45,485
Goods and services taxes recoverable	(18,431)	5,438
Prepaid expenses	17,550	37,763
Accounts payable and accrued liabilities	75,256	294,935
Security deposits	3,466	(2,714)
Deferred revenue	(25,000)	25,000
Accounts payable - Province of Manitoba	500,000	-
	(281,040)	78,172
Cash Flows from Investing and Financing Activities		
Proceeds from bank loan - capital projects	713,020	737,986
Purchase of capital assets	(1,100,778)	(726,350)
Proceeds on disposal of capital assets	7,806	28,123
(Decrease) increase in capital lease obligations	(34,613)	104,816
Contributions related to capital assets	523,434	183,089
Increase (decrease) in accounts payable - capital	235,062	(109,306)
	343,931	218,358
Increase in cash and cash equivalents, during the year	62,891	296,530
Cash and cash equivalents, beginning of year	(868,790)	(1,165,320)
Cash and cash equivalents, end of year	$ (805,899)	$ (868,790)
Represented By		
Bank indebtedness	$ (805,899)	$ (868,790)

Churchill RHA Inc.
Summary of Significant Accounting Policies

March 31, 2003

Nature and Purpose of Organization

Churchill RHA Inc. is a non-profit organization incorporated without share capital under the Corporations Act of Manitoba in 1996. Churchill RHA Inc. is the regional health authority for the Churchill Health Centre. The RHA provides hospital and social service facilities to Churchill and the surrounding area, including eight communities in the Kiviliq Region.

The RHA is a registered charitable organization under the Income Tax Act and, as such, is exempt from income tax and may issue income tax receipts to donors.

The following accounting policies are in accordance with Canadian generally accepted accounting principles.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Revenue Recognition

The RHA follows the deferral method of accounting for contributions, which include donations and Goverment grants.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Inventory

Inventory is stated at the lower of cost, using a first-in, first-out basis of calculation, and net realizable value.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Where fair value cannot be reasonably determined, contributed capital assets are recorded at a nominal amount. Assets acquired under capital lease are amortized over the estimated life of the assets. Capital assets are amortized on a straight-line basis using the following annual rates.

Buildings	2.5 %
Building service equipment	4 - 10%
Major equipment	6.7 - 20%
Equipment under capital lease	20 %
Computer equipment	20 %

Separately Funded Programs

Adjustments to prior years, if any, resulting from a final review by the funding agency are charged to the statement of operations in the year the funding agency completes their review.

Accrued Benefit Entitlements

Benefit entitlements, which include vacation pay and pre-retirement leave entitlements are recorded in the year that the services to which they relate are provided.

1. Accounts Receivable

	2003	2002
General operating	$ 214,440	$ 204,314
Pharmacy	24,818	16,910
Dental	2,028	6,037
Separately funded	64,235	73,409
Daycare	29,312	43,520
Other	29,566	12,747
	$ 364,399	$ 356,937

2. Due from Manitoba Health

	2003	2002
Approved capital funding	$ 238,184	$ 12,704
In globe deficit financing - March 31, 2001	-	127,325
Out of globe - March 31, 2003	168,164	-
	$ 406,348	$ 140,029

3. Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	$ 864,734	$ 579,902	$ 284,832	$ 306,450
Building service equipment	2,740,502	503,633	2,236,869	1,598,017
Major equipment	3,230,526	2,414,516	816,010	726,751
Equipment under capital lease	212,074	96,549	115,525	148,532
Computer equipment	445,138	353,684	91,454	81,448
	$ 7,492,974	$ 3,948,284	$ 3,544,690	$ 2,861,198

4. Bank Indebtedness

Bank indebtedness is secured by comfort letters from Manitoba Health to a maximum of $2,917,547.

5. Capital Lease Obligations

	2003	2002
Obligations under capital leases for office equipment at rates between 5.3% - 13.9%, due on dates between February 2004 and February 2006, repayable $7,141 principal and interest quarterly	$ 63,828	$ 83,559
Obligations under capital leases for automobiles at a rate of 5.75%, due on dates between November 2006 and November 2011, repayable $1,893 principal and interest monthly	128,192	143,074
	192,020	226,633
Less amount due within one year included in current liabilities	36,545	34,613
	$ 155,475	$ 192,020

Obligations under capital lease are secured by certain automobiles and office equipment.

The future minimum lease payments for the next 5 years and thereafter are as follows.

2004	$ 51,284
2005	46,470
2006	46,567
2007	37,936
2008	8,643
Thereafter	42,794
	233,694
Less imputed interest	41,674
	$ 192,020

6. Pre-retirement Entitlements

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions.

- have ten years service and have reached the age of 55 or
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
- retire at or after age 65
- terminate employment at any time due to permanent disability

	2003	2002
Members of the Health Employees Pension Plan	$ 155,480	$ 130,621

The RHA's contributions made to the plan during the year amounted to $115,447 (2002 - $116,818) and are included in the statement of operations.

Funding for this liability is received from Manitoba Health and accordingly the related receivable from the Province of Manitoba is recognized as an asset.

7. Deferred Contributions Related To Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of funding assistance received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

Changes in the deferred contribution balance are as follows.

	2003	2002
Balance, beginning of year	$ 1,398,124	$ 2,117,351
Add restricted contributions received in the current year	523,434	183,089
Less amount financed through bank loan - capital projects	-	(590,316)
Less amount amortized to revenue in the year	(370,000)	(312,000)
Balance, end of year	$ 1,551,558	$ 1,398,124

8. In Globe / Out of Globe

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be abosorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs, not paid by Manitoba Health, are absorbed by the Authority.

9. Invested in Capital Assets

Net assets invested in capital assets is determined as follows.

	2003	2002
Capital assets	$ 3,544,690	$ 2,861,199
Deferred contributions	(1,551,558)	(1,398,124)
Obligations under capital lease	(192,020)	(226,633)
	$ 1,801,112	$ 1,236,442

10. External Restrictions

Separately funded programs.

The various surpluses and deficits of the separately funded programs are aggregated and recorded as one figure in the financial statements. They remain designated for the respective separately funded programs.

	2003	2002
Accumulated surplus - Receiving Home	$ 62,921	$ 96,457
Accumulated surplus (deficit) - Churchill Child and Family Services	9,306	(11,126)
Accumulated surplus - Nunavut Services	10,217	29,458
Accumulated deficit - Baby First and Healthy Baby programs	(10,522)	(3,927)
Accumulated surplus - Health Promotion	2,748	2,748
	$ 74,670	$ 113,610

11. Contingencies

The nature of the RHA's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2003, management believes the RHA has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the RHA's financial position.

A group of hospitals, including the RHA, have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2003.

12. Deficiency of Revenue Over Expenditures in Children's Centre

Any excess or deficiency of revenue over expenditures incurred by the Children's Centre is the responsibility of the RHA. As a result, the excess or deficiency of revenue over expenditures incurred by the Children's Centre is to be transferred annually from Externally Restricted - Separately Funded Programs to Unrestricted Net Assets.

13. Financial Instruments

The RHA's financial instruments consist of accounts receivable, amounts due from Manitoba Health, bank indebtedness, bank loan and accounts payable. Unless otherwise noted, it is management's opinion that the RHA is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

14. Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles, requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

15. Revenue from Manitoba Health

Revenue as per Manitoba Health's final funding document	$ 7,198,514	
Add		
Other in-year adjustments - one time funding	400,000	
Out of globe receivable	168,164	
Deduct		
Capital interest	(29,077)	
Total funding approved by Manitoba Health	7,737,601	
Deduct		
Amounts recorded as deferred contributions	(218,120)	$ 7,519,481

Revenue from Manitoba Health - Statement of Revenue and Expenditures

Hospital	$ 5,046,663	
Diagnostic Services	360,696	
Medical Clinic	308,520	
Dental Clinic	137,244	
Community Services	706,934	
Addictions Program	19,000	
Northern Patient Transportation	829,248	
Land Ambulance	83,004	
Home Care	51,272	
Less - other sources of income	(23,100)	$ 7,519,481

Churchill RHA Inc.
Schedule of Ancillary Income

For the year ended March 31,		2003	2002
Children's Centre, net (gross $294,142, 2002 - $266,840)	$	(57,897)$	7,886
Retail pharmacy, net (gross $596,928, 2002 - $516,528)		109,599	72,398
Gift shop and vending machine, net (gross $42,196, 2002 - $63,406)		10,786	9,460
Donations		50	1,200
Non-Manitoba Health funded specialists		7,808	(21,583)
Professional fees - Icons		-	(15,545)
	$	70,346 $	53,816

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Members of the Board of
Interlake Regional Health Authority Inc.

We have audited the consolidated statement of financial position of the **Interlake Regional Health Authority Inc.** as at March 31, 2003 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Regional Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Interlake Regional Health Authority Inc. as at March 31, 2003 and the results of its consolidated operations and its cash flows for the year then ended in accordance with the basis of accounting as disclosed in Note 2 to the financial statements.

Grant Thornton LLP

Winnipeg, Canada
May 23, 2003

Grant Thornton LLP
Chartered Accountants

Interlake Regional Health Authority Inc.
Consolidated Statement of Financial Position

March 31	2003	2002
Assets		
Current		
Cash and cash equivalents	$ 7,348,053	$ 6,964,013
Accounts receivable	687,968	722,030
Inventories	667,740	618,626
Prepaid expenses	160,353	107,688
Deferred charges - employee future benefits (Note 2)	2,833,968	2,449,517
	11,698,082	10,861,874
Deferred charges - employee future benefits (Note 2)	3,452,687	3,368,920
Other assets	107,404	95,607
Capital assets (Note 5)	37,408,933	31,362,527
	$ 52,667,106	$ 45,688,928
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 4,456,241	$ 3,859,769
Accrued vacation pay and overtime costs (Note 2)	2,833,968	2,449,517
Due to Manitoba Health (Note 4)	435,457	249,443
Current portion of long-term debt	1,158,798	1,110,687
	8,884,464	7,669,416
Accrued pre-retirement costs(Note 6)	3,452,687	3,368,920
Due to Betel Heritage Foundation Inc. (Note 7)	293,000	293,000
Long-term debt (Note 8)	19,083,491	14,189,655
Deferred contributions (Note 9)	16,165,845	14,796,925
	47,879,487	40,317,916
Net Assets (Deficiency)		
Investment in capital assets (Note 10)	2,488,521	3,282,361
Internally restricted (Note 15)	1,498,068	1,282,577
Externally restricted (Note 15)	577,177	649,721
Unrestricted	(239,305)	(269,176)
Contract facilities	463,158	425,529
	4,787,619	5,371,012
	$ 52,667,106	$ 45,688,928

Commitments and contingencies (Note 13)

See accompanying notes to the consolidated financial statements.

Interlake Regional Health Authority Inc.
Consolidated Statement of Operations

Year Ended March 31	2003	2002
Revenue		
Manitoba Health (Note 16)	$ 68,050,633	$ 57,607,539
Client out-of-globe	4,826,304	4,744,185
Offset and other income	2,877,687	2,690,132
Amortization of deferred contributions (Note 9)	2,158,894	2,122,280
Interest	224,961	249,664
Ancillary income	179,471	174,035
	78,317,950	67,587,835
Expenditures		
Acute care	18,898,908	17,585,481
Long-term care	17,624,926	16,704,545
Home based care	9,705,397	8,666,971
Community health	6,094,291	5,758,185
Proprietary home funding	6,078,063	
Medical remuneration	4,374,788	3,937,698
Diagnostic services	4,177,064	3,731,054
Emergency response and transport	3,044,084	2,802,440
Mental health	2,708,156	2,595,903
Regional undistributed expenditures	2,192,583	2,134,352
Amortization	2,166,054	2,100,127
Dialysis	800,062	705,270
Chemotherapy	486,024	408,390
Safety and renovations	264,477	450,877
Ancillary operations operating expenditures	167,284	186,965
Nurse recruitment and retention	62,524	101,270
	78,844,685	67,869,528
Deficiency of revenues over expenditures	$ (526,735)	$ (281,693)
Allocated as follows:		
Regional services	$ (564,364)	$ (319,800)
Contracted services	37,629	38,107
	$ (526,735)	$ (281,693)

See accompanying notes to the consolidated financial statements.

Interlake Regional Health Authority Inc.
Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2003

	Investment in Capital Assets	Internally Restricted	Externally Restricted	Unrestricted	2003 Total	2002 Total
Health Facilities						
Balance, beginning of year						
As previously reported	$ 2,654,323	$ 1,282,577	$ 649,721	$ 922,240	$ 5,508,861	$ 5,776,776
Adjustments of prior year balances (Note 3)	628,038			(1,191,416)	(563,378)	(501,529)
As restated	3,282,361	1,282,577	649,721	(269,176)	4,945,483	5,275,247
Capital assets financed (net of adjustments)	(775,655)			775,655		
Adjustment of externally restricted net assets			(15,886)	15,886		
Payout of externally restricted net assets			(56,658)		(56,658)	(9,964)
Deficiency of revenues over expenditures	(18,185)			(546,179)	(564,364)	(319,800)
Reallocation of interest earned on donation and operating funds		215,491		(215,491)		
	2,488,521	1,498,068	577,177	(239,305)	4,324,461	4,945,483
Contract Facilities						
Balance, beginning of year						
As previously reported	227,274			189,120	416,394	200,829
Adjustments of prior year balances				9,135	9,135	82,187
As restated	227,274			198,255	425,529	283,016
Funding adjustments of prior years						100,376
Capital assets financed (net of adjustments)						4,030
Excess of revenues over expenditures	11,025			26,604	37,629	38,107
	238,299			224,859	463,158	425,529
Balance, end of year	$ 2,726,820	$ 1,498,068	$ 577,177	$ (14,446)	$ 4,787,619	$ 5,371,012

See accompanying notes to the consolidated financial statements.

Interlake Regional Health Authority Inc.
Consolidated Statement of Cash Flows

Year Ended March 31	2003	2002
Increase (decrease) in cash and cash equivalents		
Operating		
Deficiency of revenues over expenditures	$ (526,735)	$ (281,693)
Items not affecting cash		
Amortization	2,166,054	2,100,127
Amortization of deferred contributions	(2,158,894)	(2,122,280)
	(519,575)	(303,846)
Change in non-cash operating working capital (Note 11)	714,768	212,179
	195,193	(91,667)
Financing		
Funding adjustments of prior years - contract facilities		100,376
Increase (decrease) in long-term debt - net	4,941,947	(975,845)
Increase in deferred contributions - net	3,527,814	2,526,119
Payout of externally restricted net assets	(56,658)	(9,964)
	8,413,103	1,640,686
Investing		
(Increase) decrease in other assets	(11,797)	72,486
Acquisition of capital assets - net	(8,212,459)	(2,135,707)
	(8,224,256)	(2,063,221)
Net increase (decrease) in cash and cash equivalents	384,040	(514,202)
Cash and cash equivalents, beginning of year	6,964,013	7,478,215
Cash and cash equivalents, end of year	$ 7,348,053	$ 6,964,013
Other information		
Interest paid during the year	$ 960,764	$ 888,404

See accompanying notes to the consolidated financial statements.

1. Purpose of the organization

Interlake Regional Health Authority Inc. (the "Region") is incorporated and is principally involved providing health care services to the Interlake Region of Manitoba. The Region is a not-for-profit organization and accordingly is exempt from income taxes provided certain requirements under the Income Tax Act are met.

2. Summary of significant accounting policies

The consolidated financial statements include the operations of two contract facilities - Betel Home, Gimli and Betel Home, Selkirk.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles except for the following three policies described as deferred charges - employee future benefits, contributions received for periodic payment of long-term debt and deferred contributions - Province of Manitoba debentures.

Deferred charges - employee future benefits

The Region records a liability for employee future benefits including accrued vacation pay, accrued overtime and accrued retirement obligations. An expense is not recorded, but instead an offsetting asset described as "Deferred Charges" - Employee Future Benefits" is recorded to reflect the expected recovery of these costs from Manitoba Health in the future period in which the expenditures are made.

Contributions received for the periodic repayment of long-term debt

Funding provided by Manitoba Health for the periodic repayment of long-term debt is recorded as a deferred contribution. Amortization to revenue of this deferred contribution is recorded on a straight-line basis over the estimated useful life of the related capital asset based on the total amount of the long-term debt.

Deferred contributions - Province of Manitoba debentures

The Province of Manitoba has issued debentures to the Region, which are included as part of long-term debt, to assist in financing capital asset acquisitions. Government funding provided to the Region for this purpose is considered to be a restricted contribution. Accordingly, such debentures should be reflected as part of deferred contributions - capital assets.

The following accounting policies are in accordance with Canadian generally accepted accounting principles:

Revenue recognition

The Region follows the deferral method of accounting for contributions, which includes donations and government grants. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred.

2. Summary of significant accounting policies (continued)

Under the Health Insurance Act, the Region is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. The financial statements reflect agreed arrangements approved by Manitoba Health with respect for the year ended March 31, 2003.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets, with the exception of deferred contributions - Province of Manitoba debentures.

Restricted investment income is recognized as revenue in the year in which the related expenditures are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the Provincial Insurance Plan, residential charges and marketed services are recognized when the services are provided.

In Globe funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the six service categories of Acute Care, Long-term Care, Community Health, Mental Health, Home Care and Emergency Response and Transport. All additional costs in these service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Region or repaid to Manitoba Health.

Under Manitoba Health policy the Region is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Region, or repaid to Manitoba Health.

2. Summary of significant accounting policies (continued)

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Region. Any unapproved costs not paid by Manitoba Health are absorbed by the Region.

Inventories

Inventories are valued at lower of cost or replacement cost. Cost is determined on an average cost basis.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at net book value at the date of contribution. Repairs and maintenance costs are charged to expenditures. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Region's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight line basis using the following rates:

Building	3.33% and 5%
Equipment and computers	10% - 20%
Land improvements	5%
Ambulances	20%

Construction-in-progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to capital assets.

Compensated absences

Compensation expense is accrued to all employees as entitlement to these payments is earned in accordance with the Region's benefit plans for vacation, sick leave and retirement allowances.

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

2. Summary of significant accounting policies (continued)

Use of estimates

In preparing the Region's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

Financial instruments

i) Interest rate risk

Interest rate risk is the risk to the Region's earnings that arise from fluctuation in interest rates and the degree of volatility of those rates. The Region does not use derivative instruments to reduce this risk.

ii) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. However, the Region has a large number of customers which minimizes the concentration of this risk.

iii) Fair value

The carrying amount of short-term financial assets and liabilities are a reasonable estimate of the fair values because of the short maturity of these instruments. Short-term financial assets are comprised of cash, accounts receivable and due from Manitoba Health. Short-term financial liabilities are comprised of accounts payable and accrued liabilities.

3. Adjustment to prior periods

The Region was required to make an adjustment to its opening net assets of $563,378, as a result of a reconciliation of outstanding adjustments owing to/from Manitoba Health for the fiscal years ending 1999 to 2002, received from Manitoba Health subsequent to March 31, 2003. The following restatements were required to the comparative figures:

- Reduction in amount due from Manitoba Health	$ 1,191,416
- Reduction in deferred contributions - capital assets	628,038
- Increase in investment in capital assets	628,038
- Reduction in unrestricted net assets	1,191,416
- Increase in the deficiency of revenues over expenditures	61,849

4. Due to Manitoba Health

	2003	2002
Manitoba Health adjustment 1998/2002	$ 963,024	$ 901,175
Out-of-globe adjustments	343,452	(70,490)
Other adjustments	(76,909)	(581,242)
MGEU settlements 2000/2002	(132,647)	
CUPE retroactive pay	(561,331)	
Influenza and Hep B immunization program	(100,132)	
	$ 435,457	$ 249,443

5. Capital assets

			2003	2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 185,518	$	$ 185,518	$ 185,518
Land improvements	370,102	350,605	19,497	25,258
Building	44,643,107	19,835,785	24,807,322	25,995,802
Ambulances	771,260	718,301	52,959	105,919
Equipment	12,107,403	7,831,677	4,275,726	4,058,434
Equipment - computers	559,059	380,552	178,507	189,467
Construction in progress	7,889,404		7,889,404	802,029
	$ 66,525,853	$ 29,116,920	$ 37,408,933	$ 31,362,427

6. Accrued pre-retirement costs

	2003	2002
Members of the Health Employees Pension Plan	$ 2,572,887	$ 2,585,320
Members of the Civil Service Superannuation Plan	879,800	783,600
	$ 3,452,687	$ 3,368,920

The Region's contractual commitment for the pre-retirement entitlement for members of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- have ten years service and have reached the age of 55, or
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
- retire at or after age 65
- terminate employment at any time due to permanent disability

6. Accrued pre-retirement costs (continued)

The Region's contractual commitment for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service
- 2 weeks of additional severance pay for each increment of five years service past the 15 years of service up to 35 years of service

The Region has recorded an accrual based on actuarial valuations that includes employees who qualify at the year-end date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the retirement entitlement is recoverable from the Province of Manitoba on an out-of-globe basis in the year of payment. The significant actuarial assumptions used in measuring the Region's accrual for pre-retirement costs include a discount rate of 6.5% and a rate of salary increase of 4% plus age related merit/promotion scale with nil for disability.

Actual payments made during the year for the Region's pre-retirement entitlements were $188,612 (2002 - $191,949).

7. Due to Betel Heritage Foundation Inc.

The amount payable to Betel Heritage Foundation Inc. by the contract facilities is non-interest bearing with no specified terms of repayments.

8. Long-term debt	2003	2002
Debenture payable The debenture bears an interest rate of 6.375% per annum, principal repayable monthly at $70,513, plus interest. The debenture matures in March, 2015.	$ 10,153,846	$ 11,000,000
Debentures payable The debentures bear an interest rate of 13.625% per annum, interest repayable semi-annually, with principal payable in annual instalments of $111,300. The debentures' mature in November, 2004.	222,600	333,900
Mortgages payable The mortgages bear interest at rates varying from 4.730% to 10.375% per annum and are secured by mortgages on the Region's land and buildings. The mortgages' maturity dates vary from the year 2016 to 2029.	3,362,004	3,471,813
Bank loans The construction and specialized equipment loans bear interest at the prime rate less .75% per annum, are repayable at $6,980 per month principal, plus interest, and are secured by an assignment of fire insurance and letters of comfort from Manitoba Health. The loans' maturity dates vary from October 1, 2011 to March 15, 2012.	938,237	494,629
Bank loans The construction loan bears interest at the prime rate less .75%, and is secured by an assignment of fire insurance and letters of comfort from Manitoba Health. The loan is repayable interest only, principal repayment terms to be structured upon completion of the project.	5,565,602	
	20,242,289	15,300,342
Less: current portion	1,158,798	1,110,687
	$ 19,083,491	$ 14,189,655

Principal payments in each of the next five years are due as follows:

2004	$ 1,158,798
2005	1,157,338
2006	1,053,263
2007	1,060,953
2008	1,069,139

9. Deferred contributions	2003	2002
Expenditures of future periods		
Balance, beginning of year	$ 2,244,375	$ 1,555,890
Add: Donations and grants received	1,379,933	757,923
Funding for reserve for major repairs	49,198	33,886
Less: Expenditures	(1,947,485)	(103,324)
Balance, end of year	$ 1,726,021	$ 2,244,375
Capital assets		
Balance, beginning of year		
As previously reported	$ 13,180,588	$ 13,465,233
Adjustment of prior year balances (Note 3)	(628,038)	(628,038)
As restated	12,552,550	12,837,195
Add: Additional contributions allocated	4,046,168	1,837,635
Less: Amounts amortized to revenue	(2,158,894)	(2,122,280)
Balance, end of year	$ 14,439,824	$ 12,552,550
Total deferred contributions	$ 16,165,845	$ 14,796,925

Deferred contributions related to expenditures of future periods represent unexpended donations received, which are externally restricted for the purposes of major repairs and unexpended grants for the purchase of capital assets.

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants expended for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

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10. Investment in capital assets	2003	2002
Investment in capital assets is calculated as follows:		
Property and equipment	$ 37,408,933	$ 31,362,527
Amounts financed by:		
Deferred contributions - purchased capital assets	(14,439,824)	(12,552,550)
Long-term debt	(20,242,289)	(15,300,342)
	2,726,820	3,509,635
Less: Net assets invested in capital assets - contract facilities	238,299	227,274
	$ 2,488,521	$ 3,282,361

11. Supplemental cash flow information

	2003	2002
Change in non-cash operating working capital		
Accounts receivable	$ 34,062	$ (420,661)
Due from Manitoba Health	186,014	929,129
Inventories	(49,115)	(45,340)
Prepaid expenses	(52,665)	235,157
Deferred charge vacation and pre-retirement costs	(468,218)	(656,900)
Accounts payable and accrued liabilities	596,472	(486,106)
Accrued vacation pay and pre-retirement costs	468,218	656,900
	$ 714,768	$ 212,179

12. Related parties

The contract facilities, Betel Home - Selkirk, and Betel Home - Gimli, are related to the Betel Home Foundation. Any fundraising from the Betel Home Foundation is solely for the benefit of the contract facilities.

13. Commitments and contingencies

The nature of the Region's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2003, management believes the Region has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Region's financial position.

A group of Health Corporations including Interlake Regional Health Authority Inc., have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums, which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2003.

14. Pension plan

Many of the employees of the Region are members of the Health Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the participating members. As a result, the participating members are not able to identify their share of the underlying assets and liabilities and accordingly, the plan is accounted for as a defined contribution plan.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with 5% to 6.6% of base salary contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to match employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at January 1, 2002 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Region on behalf of its employees amount to $1,432,429, (2002: $1,309,320), and are included in the consolidated statement of operations.

15. Net assets - Internal restrictions and external restrictions

Internal restrictions

The Board of Directors has internally restricted $215,491 (2002 - $237,856) of interest earned on donations and operating funds. The cumulative balance of internally restricted net assets is $1,498,068 (2002: $1,282,577).

External restrictions

Net assets subject to externally imposed restrictions represent the former balances of net assets of facilities integrated into the Interlake Regional Health Authority. Such net assets are restricted to community contributions and/or for the benefit of the community from which the net assets originated.

16. Revenue - Manitoba Health	2003	2002
Per funding document	$ 66,500,740	$ 57,888,026
Equipment allocation	(340,104)	(340,100)
Principal funding	(1,142,064)	(1,225,043)
Reserve for major repairs funding	(26,975)	(26,965)
	64,991,597	56,295,918
One time funding	750,000	
MSSP arbitration award	747,659	
Baby First and WIN	457,481	213,371
Payment of out-of-globe items and adjustments	299,290	(122,268)
Safety and renovations	264,477	522,217
EMS one time funding	256,004	
Additional program funding received during year	201,761	195,957
Nurse recruitment and retention	62,364	
Pharmacy recruitment and retention	20,000	
MGEU EMS retroactive		150,910
CUPE wage parity retroactive		110,477
Recruitment and retention		98,611
Compensation to physicians - regional committees		50,007
MGEU professional technical wage parity retroactive		35,752
MAHCP wage parity retroactive		26,049
Employee assistance program		15,795
MGEU community clerical retroactive		14,743
	$ 68,050,633	$ 57,607,539

17. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's financial statement presentation.

Interlake Regional Health Authority Inc.
Schedule 1 - Schedule of Expenditures by Type

Year Ended March 31	2003	2002
Salaries and benefits		
Salaries - other	$ 17,738,141	$ 16,000,372
Salaries - health care aides	9,549,540	9,394,812
Salaries - registered nurses	8,768,821	8,131,678
Benefits	5,516,149	4,958,114
Salaries - licensed practical nurses	3,984,247	3,675,505
Purchased services	2,532,072	2,277,902
Total salaries and benefits	48,088,970	44,438,383
Supplies		
Other supplies	2,720,781	2,597,778
Drugs and medical gases	2,483,189	1,914,336
Utilities	1,397,098	1,176,566
Medical and surgical supplies	1,195,925	1,193,892
Total supplies	7,796,993	6,882,572
Other expenditures		
Other expenses	3,881,256	3,874,186
Medical remuneration	4,276,027	3,748,990
Contracted health facilities	1,749,741	2,148,958
Proprietary home funding	6,078,063	
Amortization	2,166,054	2,100,127
Purchased services	1,425,051	1,411,411
Staff travel	1,441,537	1,390,717
Interest	960,764	888,404
Client travel	677,472	534,903
Safety and security	302,757	450,877
Total other expenditures	22,958,722	16,548,573
Total expenditures	$ 78,844,685	$ 67,869,528

KENDALL WALL PANDYA

Chartered Accountants

76 Main St., P.O. Box 175, Flin Flon, MB R8A 1M7 (204) 687-8211 Fax 687-2957

Partners.... David Kendall, FCA
Robert Wall, FCA
Manisha Pandya, CA

AUDITOR'S REPORT

To the Chairperson and Board of Directors

We have audited the statement of financial position of NOR-MAN Regional Health Authority Inc. as at March 31, 2003 and the Statements of Operations, Net Assets, Deferred Contributions, and Cash Flow for the year then ended. These financial statements are the responsibility of the Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the NOR-MAN Regional Health Authority Inc. as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kendall Wall Pandya
Chartered Accountants

Flin Flon, MB
June 20, 2003

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2003

ASSETS

	Notes	2003	2002
CURRENT ASSETS			
Cash		$ 334,826	$ -
Accounts receivable	4a	1,150,933	1,073,092
Due from Manitoba Health	4b	3,767,897	3,966,874
Inventories	2b	416,262	505,054
Prepaid expense		137,139	112,087
DUE FROM MANITOBA HEALTH	4c	2,148,437	2,021,855
CAPITAL ASSETS (Schedule 1)		30,298,460	30,617,282
		$38,253,954	$38,296,244

LIABILITIES

	Notes	2003	2002
CURRENT LIABILITIES			
Bank indebtedness		$ -	$ 639,221
Accounts payable		2,828,987	3,043,127
Accrued Benefit Entitlements		2,566,532	2,214,711
Current portion of long-term debt	8	1,221,963	1,150,981
LONG-TERM DEBT	8	18,598,681	18,363,940
ACCRUED PRE-RETIREMENT OBLIGATIONS	9	2,148,437	2,021,855
DEFERRED CONTRIBUTIONS	5		
Expenses of future periods		1,543,545	1,474,394
Capital assets		8,981,518	9,526,037
NET ASSETS			
Invested in capital assets	6	1,496,298	1,576,324
Restricted	7	55,373	55,166
Unrestricted		(1,187,380)	(1,769,512)
		$38,253,954	$38,296,244

Approved by the Board:

Marion

Linda

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2003

	2003	2002
REVENUE		
Manitoba Health - Note 10	$46,348,826	$43,325,007
Non-insured income	5,530,149	4,992,403
Other income	3,252,152	3,125,579
Amortization of deferred contributions	2,261,879	2,128,837
Ancillary revenue	2,483,953	2,118,016
	59,876,959	55,689,842
EXPENSES		
Acute care	24,482,315	22,665,479
Long-term care	6,943,986	6,490,293
Medical remuneration	6,611,667	5,636,814
Community based therapy	281,235	286,668
Community services administration	365,504	351,933
Community based mental health	803,443	745,090
Community based home care	3,976,856	3,725,578
Community based health	1,866,189	1,721,270
Land ambulance	1,266,231	890,852
Regional health authority costs	2,299,947	2,001,001
Amortization of capital assets	2,341,905	2,201,729
Interest on long-term debt	1,136,883	889,570
Other - Northern Patient Transportation	3,916,232	3,504,574
Other - Rosaire House Addictions Centre	631,552	582,071
Ancillary expenses	2,450,701	2,092,854
	59,374,646	53,785,776
EXCESS OF REVENUE OVER EXPENDITURES	$ 502,313	$ 1,904,066

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2003

	Net Assets			
	Invested in Capital Assets	Restricted	Unrestricted	Total
Balance, Beginning of year	$1,015,091	$ 55,166	$(1,882,627)	$(812,370)
Prior period adjustment - Note 13	561,233	-	113,115	674,348
Balance, beginning of year, as restated	1,576,324	55,166	(1,769,512)	(138,022)
Surplus from operations	(80,026)	207	582,132	502,313
	$1,496,298	$ 55,373	$(1,187,380)	$ 364,291

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF DEFERRED CONTRIBUTIONS

FOR THE YEAR ENDED MARCH 31, 2003

	Deferred Contributions			
	Reserve for Major Repairs	Donations	Grant Reserves	Capital
Balance, beginning of year	$ 188,000	$ 735,255	$ 664,254	$10,087,270
Prior period adjustment - Note 13	(113,115)	-	-	(561,233)
Balance, beginning of year as restated	74,885	735,255	664,254	9,526,037
Funding provision	8,153			166,200
Outright Funding - Specialized equipment				155,862
Donated equipment		(240,563)		240,563
Donated purchases		(10,978)		
Interest and donations		192,220		
Debt reduction				1,154,735
Amortization				(2,261,879)
Deferred revenue			120,319	
	$ 83,038	$ 675,934	$ 784,573	$ 8,981,518

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF CASH FLOW

AS AT MARCH 31, 2003

	2003	2002
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Surplus for the year	$ 502,313	$ 1,904,066
Items not involving cash		
Amortization of capital assets	2,341,905	2,201,729
Amortization of deferred contributions	(2,261,879)	(2,128,837)
Change in non-cash working capital	393,540	(496,049)
Funding allocations (Manitoba Health):		
Basic equipment	166,200	166,200
Psychiatric unit	-	(208,044)
Specialized Equipment	155,861	-
Personal Care Home Reserve	8,152	8,154
Net increase in deferred contributions		
Grants	120,319	109,795
Donations fund	181,242	(29,884)
Capital assets	-	159,883
FINANCING AND INVESTMENT ACTIVITIES		
Purchase of capital assets	(1,411,901)	(761,132)
Construction in progress expenditures	(611,181)	(2,270,098)
Manitoba Health-debt principal funding	1,154,587	1,215,059
Issuance of long-term debt	1,389,476	1,401,987
Repayment of long-term debt	(1,154,587)	(1,276,823)
NET INCREASE (DECREASE) IN CASH	974,047	(3,994)
CASH at beginning of year	(639,221)	(635,227)
CASH AT END OF YEAR	$ 334,826	$ (639,221)

See accompanying notes.

1. (a) NATURE AND PURPOSE OF THE ORGANIZATION

NOR-MAN Regional Healthy Authority Inc. (the "Authority") is a corporation without share capital continued under The Regional Health Authorities and Consequential Amendments Act, Statues of Manitoba 1996 c.53. The Authority operates health care programs and services in a geographic region that extends from Grand Rapids/Grand Rapids First Nation in the southeast corner to Flin Flon in the extreme northwest part of the Region. Pukatawagan is also part of the Region. The Authority delivers its services through hospitals and other health care facilities. Hospitals are located in Flin Flon, The Pas, and Snow Lake. The Authority is a registered charity under the Income Tax Act and accordingly, is exempt from income taxes, provided some requirements of the Income Tax Act are met.

(b) ASSUMPTION OF RESPONSIBILITY FOR FACILITIES AND OPERATING AUTHORITY

Pursuant to certain terms and conditions under various transfer agreements, the Authority took over management of facilities consisting of land and buildings together with equipment, other assets, liabilities and general operating authority as of April 1, 1997 from the following previously independently operating boards:

- The Board of Directors of the Flin Flon General Hospital, Flin Flon Personal Care Corporation and Northern Lights Manor
- The Board of Directors of The Pas Health Complex
- The Board of Directors of the Snow Lake Medical Nursing Unit
- Manitoba Health (Community Services)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles:

(a) CONTRIBUTED SERVICES

Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(b) INVENTORY

Medical, drugs and other supplies are valued at the lower of average invoice cost and net realizable value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) REVENUE RECOGNITION

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Ministry of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received, at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Donations are recognized as direct increases in deferred contributions. Restricted investment income is recognized as revenue in the year in which related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(d) CAPITAL ASSETS

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Improvements and betterments which extend the estimated useful life of an asset are capitalized. When a capital asset has diminished its usefulness in providing the service, its carrying amount is written down to its residual value.

The Authority has adopted the policy of amortizing its capital assets on a straight-line basis using the following annual rates:

Land improvements	2.5%
Buildings	2.5%
Building service equipment	10.0%
Major equipment	10.0%
Computer equipment and software	20.0%

No amortization is provided for construction in progress until the project is complete or until the principal retirement of related debt commences.

3. ECONOMIC DEPENDENCE

The Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Ministry of Health.

4. ACCOUNTS RECEIVABLE/DUE FROM MANITOBA HEALTH

	2003	2002
(a) Accounts Receivable		
Related Parties	$ -	$ -
Ambulance	383,568	261,600
Residents	338,603	331,918
Employer Computer loans	98,898	105,510
Government of Canada	223,807	110,492
Other Government Agencies	108,153	264,072
Municipalities	-	22,809
Sundry	47,034	48,426
	1,200,063	1,144,827
Less Allowance for Doubtful Accounts	(49,130)	(71,735)
	$1,150,933	$1,073,092
(b) Due from Manitoba Health		
Current Year's Operating Fund	$ 910,829	$ 667,199
In-Globe - Other Years	-	-
Out of Globe - Other Years	-	-
Approved Capital Funding	290,536	1,084,964
Vacation benefit entitlements	2,566,532	2,214,711
	$3,767,897	$3,966,874
(c) Due from Manitoba Health		
Pre-retirement obligation entitlements	$2,148,437	$2,021,855

5. DEFERRED CONTRIBUTIONS

(a) Expenses of Future Periods

(i) Major Repairs
Deferred contributions related to future major repairs represent unspent externally and/or internally restricted grants for major repairs and improvements to buildings

(ii) Donations
These contributions are to be maintained primarily for the purchase of equipment and patient/resident activities. These amounts are not available for other purposes without approval of the Board of Directors.

(iii) Grants
Deferred contributions related to grants represent externally restricted unspent amounts of grants for various programs.

(b) Unamortized Amount of Capital Assets Funding

Deferred capital contributions represent the unamortized amounts of capital assets, unspent amounts of donations, and grants received for purchase of capital assets. The amortization of capital contribution is recorded as revenue in the Statement of Operations.

6. NET ASSETS INVESTED IN CAPITAL ASSETS

Net assets invested in capital assets are calculated as follows:

	2003	2002
Capital assets	$ 30,298,460	$ 30,617,282
Amounts financed by:		
Deferred contributions	(8,981,518)	(9,526,037)
Long-term debt	(19,820,644)	(19,514,921)
	$ 1,496,298	$ 1,576,324

7. EXTERNAL RESTRICTIONS

Net assets are restricted for endowment purposes, and are subject to externally imposed restrictions that the assets be maintained permanently in the Sherry Grey Trust Fund and the St. Paul Residents Trust Fund. Investment income from these funds is restricted to patients' out of province travel and residents expenses respectively.

8. LONG-TERM DEBT

	2003	2002
Flin Flon Hospital, Lab/HVAC, P - .8%, Royal Bank, guaranteed by Province of Manitoba, payable $1,400 per month, maturing 2010	$ 67,222	$ 103,862
Flin Flon Hospital, Boiler Room, p - .8%, Royal Bank, payable $5,095/month, maturing 2013	590,801	-
Flin Flon Personal Care Home, CMHC, 5.62%, payable $5,486 per month, maturing 2016	608,753	640,118
Flin Flon Personal Care Home, Roof, p - .8%, Royal Bank, no set repayment terms	176,106	-
Asbestos Abatement and Hot Water Heater, P - .8%, Royal Bank, payable $1,490 per month, maturing 2003	-	2,058
St. Anthony's Hospital - Fire Alarm Upgrade, Royal Bank, P - .8%, payable $34,260 per annum, maturing 2015	308,540	327,679
St. Anthony's Hospital, Power Upgrade, Royal Bank, P - .8%, payable $34,260 per annum, maturing 2006	136,940	113,882
St. Anthony's Hospital, Specialized Equipment, P - .8%, payable $43,980 per annum, maturing 2018	637,336	-
Flin Flon General Hospital - Royal Bank, P - .8%, no set repayment terms	-	36,697
Residual Borrowings, Royal Bank, P - .8%, payable $12.140 per month, maturing 2016	1,286,613	1,432,293

8. LONG-TERM DEBT (Cont'd)

	2003	2002
Consolidated Borrowings, Department of Finance, 6.25%, payable $70,834 per month, maturing 2018	$16,008,333	$16,858,332
	19,820,644	19,514,921
Less: current portion	1,221,963	1,150,981
	$18,598,681	$18,363,940

Portion due within each of the next five years is as follows:

2004	$1,221,963
2005	1,221,963
2006	1,221,963
2007	1,221,863
2008	1,170,925
	$6,058,677

9. PRE-RETIREMENT OBLIGATIONS

	2003	2002
Members of the Health Employees Pension Plan	$1,951,737	$1,879,355
Members of the Civil Service Superannuation Plan	196,700	142,500
	$2,148,437	$2,021,855

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- have ten years service and have reached the age of 55 or
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
- retire at or after age 65
- terminate employment at any time due to permanent disability

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service
- 2 weeks of additional severance pay for each increment of five years service past the 15 years of service up to 35 years of service

10. REVENUE FROM MANITOBA HEALTH

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

10. REVENUE FROM MANITOBA HEALTH (Cont'd)

Revenue per Manitoba Health's Final Funding Document		$44,313,605
Add: Accruals Approved by Manitoba Health:		
Out of Globe expenditure deficit for 2002/03	338,561	
Pharmacy Recruitment and Retention Allowance	68,961	
Service Employees International Union negotiated increase (estimated)	317,000	724,522
Deduct: Payments to Manitoba Health for surplus funding for out-of-global items:		
Overpayment on 2001/02 Year End Settlement		(238,529)
Total Funding Approved by Manitoba Health		44,799,598
Add: Items Not Reflected in Manitoba Health's Final Funding Document:		
Final Year End Settlement - 2000/01	1,922,884	
One time funding supplement	300,000	
Physician Remuneration Retroactive Payments	179,529	2,402,413
Deduct: Amounts recorded as deferred contributions:		
Basic Equipment Allowance	(166,200)	
Major Repair Provision	(8,153)	
Principal payments on Long Term Debt	(1,154,735)	(1,329,088)
Add: Increase in Employee Benefit Entitlement Receivable from Manitoba Health		478,404
Deduct: Sundry		(2,501)
Revenue from Manitoba Health		$46,348,826

11. PENSION PLAN

Substantially all of the employees of the Authority are members of the Health Employees Pension Plan (HEPP) or the Civil Service Superannuation Plan (CSSP). HEPP is a multi-employer defined benefit pension plan, which is accounted for as a defined contribution plan. The plan is available to all eligible employees of the participating members of the Authority. Former civil servants transferred to the Authority could elect to remain members of the Civil Service Superannuation Plan which is a government based defined benefit plan which is accounted for as a defined contribution plan. All new Authority employees are eligible to join HEPP and not the CSSP.

The most recent actuarial valuation of the HEPP at December 31, 2001 indicates the Plan is fully funded. Contribution to the Plan made during the year by the Authority on behalf of its employees amounted to $886,277 and are included in the Statement of Operations. The Civil Service Superannuation Plan is unfunded and requires no contributions by the Authority.

12. STATEMENT PRESENTATION

Prior year figures have been restated for comparative purposes.

13. PRIOR PERIOD ADJUSTMENTS

In order to comply with Not For Profit Accounting Guidelines there has been a reclassification of certain items between Deferred Contributions and Investment in Net Assets at the end of March, 2002. $113,115 has been added to Unrestricted Net Assets and deducted from deferred contributions for major repairs. $561,233 has been added to Investment in Net Capital Assets and deducted from deferred Capital contribution for computer replacement.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

Schedule 1

SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

AS AT MARCH 31, 2003

	2003		2002	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
SNOW LAKE MEDICAL NURSING UNIT				
Land improvements	$ 41,394	$ 21,288	$ 41,394	$ 20,106
Building	931,811	549,590	931,811	523,995
Ambulance garage	23,831	13,703	23,831	13,107
Equipment	117,968	73,867	115,266	66,414
	1,115,004	658,448	1,112,302	623,622
NORTHERN LIGHTS MANOR - FLIN FLON				
Land and building	6,602,015	715,020	6,602,015	368,726
Equipment	24,564	20,749	25,146	18,875
	6,626,579	735,769	6,627,161	387,601
REGIONAL HEALTH AUTHORITY OFFICE				
Equipment	1,949,824	795,623	1,817,908	565,693
FLIN FLON GENERAL HOSPITAL				
Land	6,001	-	6,001	-
Land improvements	70,577	46,581	70,577	45,169
Building	6,913,907	1,943,819	6,913,907	1,743,624
Ambulance garage	83,131	31,174	83,131	29,096
Equipment	2,437,227	1,045,966	1,949,711	1,002,465
Construction in progress	84,022	-	38,755	-
Donation assets	8,439	8,439	8,439	8,439
Housing	232,911	-	232,911	-
Ambulance program assets	217,082	-	217,082	-
	10,053,297	3,075,979	9,520,514	2,828,793
FLIN FLON PERSONAL CARE HOME				
Land	115,257	-	115,257	-
Building	2,143,457	1,175,819	1,936,770	1,115,342
Equipment	40,167	18,432	46,408	26,391
	2,298,881	1,194,251	2,129,016	1,141,733

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

Schedule 1
(Continued)

AS AT MARCH 31, 2003

	2003		2002	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
ST. ANTHONY'S HOSPITAL - THE PAS				
Land	$ 93,576	$ -	$ 93,576	$ -
Land improvements	272,254	179,688	272,254	174,243
Buildings	7,243,894	2,800,468	7,243,895	2,620,155
Equipment	7,562,078	5,824,500	6,705,350	5,550,004
Construction in progress	514,000	-	441,561	-
Ancillary operations assets	14,838	14,838	14,838	14,838
	15,700,640	8,819,494	14,771,474	8,359,240
ST. PAUL'S RESIDENCE - THE PAS				
Buildings	10,120,794	2,298,440	10,120,794	1,587,316
Equipment	35,459	24,014	52,813	40,702
	10,156,253	2,322,454	10,173,607	1,628,018
	$47,900,478	$17,602,018	$46,151,982	$15,534,700
Net Book Value	$30,298,460		$30,617,282	

See accompanying notes.

Deloitte & Touche LLP
360 Main Street, Suite 2300
Winnipeg, Manitoba R3C 3Z3
Canada

Tel: (204) 942 0051
Fax: (204) 947 9390
www.deloitte.ca

Deloitte & Touche

AUDITORS' REPORT

To the Directors of
North Eastman Health Association Inc.

We have audited the statement of financial position of North Eastman Health Association Inc. as at March 31, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
June 6, 2003

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Financial Position
March 31, 2003

	2003	2002 (Restated - Note 3)
ASSETS		
CURRENT ASSETS		
Cash and term deposits	$ 2,757,246	$ 4,204,016
Accounts receivable (Note 4)	1,919,830	770,730
Inventories	419,307	400,045
Prepaid expenses	59,304	31,670
Due from Manitoba Health - Employee future benefits	1,509,819	1,345,281
	6,665,506	6,751,742
Due from Manitoba Health - Employee future benefits	1,299,932	1,193,035
Capital assets (Note 5)	34,060,712	34,406,166
	$ 42,026,150	$ 42,350,943
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 951,832	$ 1,092,053
Accrued liabilities	894,258	703,265
Employee future benefits (Note 11)	1,509,819	1,345,281
Current portion of long term debt (Note 6)	2,237,035	2,167,443
	5,592,944	5,308,042
EMPLOYEE FUTURE BENEFITS (Note 11)	1,299,932	1,193,035
LONG TERM DEBT (Note 6)	20,213,537	21,715,827
	27,106,413	28,216,904
DEFERRED CONTRIBUTIONS (Note 7)		
Expenses of future periods	1,024,835	1,113,469
Capital assets	10,458,656	9,354,262
	11,483,491	10,467,731
Commitments and contingencies (Note 10)		
NET ASSETS		
Invested in capital assets (Note 8)	1,319,025	1,267,887
Externally restricted	421,807	414,451
Unrestricted	1,695,414	1,983,970
	3,436,246	3,666,308
	$ 42,026,150	$ 42,350,943

APPROVED BY THE BOARD:

.... Director

A Dalrymple .... Director

NORTH EASTMAN HEALTH ASSOCIATION INC.

Statement of Operations

Year Ended March 31, 2003

	2003	2002 (Restated - Note 3)
REVENUE		
Manitoba Health income (Note 9)	$ 30,804,854	$ 28,153,012
Non-insured income	2,519,963	2,405,187
Offset income	1,314,212	1,026,691
Amortization of deferred contributions	1,520,855	1,180,837
Ancillary income	290,439	267,164
	36,450,323	33,032,891
EXPENSES		
Acute Care Services	8,220,157	7,188,647
Long Term Care Services	10,698,979	9,395,825
Community Based Home Care	4,435,249	3,547,005
Health Promotion/Prevention and Primary Care	3,666,627	3,743,558
Regional Health Authority	1,762,488	1,594,750
Lab and Imaging Services	1,654,775	1,433,283
Northern Patient Transportation Program	170,395	133,355
Land Ambulance Program	1,003,766	1,016,566
Dialysis	212,085	210,616
Medical remuneration	2,134,601	1,667,618
Interest	1,400,890	890,447
Depreciation	1,537,696	1,204,630
Ancillary operations operating expenses	278,489	202,626
Ancillary operating depreciation	62,375	43,170
	37,238,572	32,272,096
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES BEFORE THE FOLLOWING	(788,249)	760,795
Manitoba Health funding received (refundable) for prior years	558,187	(257,074)
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	$ (230,062)	$ 503,721

NORTH EASTMAN HEALTH ASSOCIATION INC.

Statement of Changes in Net Assets

Year Ended March 31, 2003

	2003				2002
	Invested in Capital Assets	Externally Restricted	Unrestricted	Total	Total (Restated - Note 3)
Balance, beginning of year (as originally stated)	$ 1,267,887	$ 414,451	$ 2,095,324	$ 3,777,662	$ 3,275,355
Prior period adjustment (Note 3)	-	-	(111,354)	(111,354)	(96,711)
Balance, beginning of year (restated)	1,267,887	414,451	1,983,970	3,666,308	3,178,644
Reclassify Stony Plains Terrace Surplus	-	9,533	(9,533)	-	-
Transfer from (to) deferred contributions (Note 12)	31,174	-	(31,174)	-	(16,057)
Due from unrestricted funds related to Beausejour hospital construction project	15,853	-	(15,853)	-	-
Purchase of operating supplies from externally restricted funds	-	(2,177)	2,177	-	-
Purchase of equipment from unrestricted funds	83,327	-	(83,327)	-	-
(Deficiency) excess of revenue over expenses	(79,216)	-	(150,846)	(230,062)	503,721
BALANCE, END OF YEAR	$ 1,319,025	$ 421,807	$ 1,695,414	$ 3,436,246	$ 3,666,308

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Cash Flows
Year ended March 31, 2003

	2003	2002 (Restated - Note 3)
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenses	$ (230,062)	$ 503,721
Items not affecting cash		
Amortization of deferred contributions relating to capital assets	(1,520,855)	(1,180,837)
Depreciation	1,600,071	1,247,800
	(150,846)	570,684
Changes in non-cash working capital items	(1,145,224)	1,307,902
Net increase in deferred contributions related to expenses of future periods	258,421	439,970
	(1,037,649)	2,318,556
FINANCING ACTIVITIES		
Proceeds of loans	161,502	1,227,183
Repayments of loans	(1,594,200)	(1,354,331)
Increase in deferred contributions related to capital assets (unspent at year end - $245,976 previous year - $205,409)	2,278,194	2,352,615
	845,496	2,225,467
INVESTING ACTIVITIES		
Purchase of capital assets	(1,254,617)	(2,417,656)
(DECREASE) INCREASE IN CASH AND TERM DEPOSITS	(1,446,770)	2,126,367
CASH AND TERM DEPOSITS, BEGINNING OF YEAR	4,204,016	2,077,649
CASH AND TERM DEPOSITS, END OF YEAR	$ 2,757,246	$ 4,204,016

1. NATURE OF OPERATIONS

North Eastman Health Association Inc. ("the Association") was incorporated under the Health Authorities Act on April 1, 1997. The Association is principally involved in providing health care services to the north eastern regions of Manitoba. The Association is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements include the following sites and services:

- Beausejour Health Centre
- Stony Plains Terrace
- Whitemouth District Health Centre
- Lac du Bonnet PCH and Health Centre
- Springfield Ambulance
- Lac Du Bonnet Ambulance
- Winnipeg River Handivan
- Springfield Handivan
- Reynolds Ambulance
- East-Gate Lodge
- Pine Falls Health Complex
- Beausejour & District Ambulance
- Whitemouth District Ambulance
- Kin Place Health Complex
- Pinawa Ambulance
- Pinawa Hospital
- Bissett Ambulance
- Whitemouth Handivan

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

a) *Revenue recognition*

The Association follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Association is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2003.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Revenue recognition (continued)

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the Provincial Insurance Plan, preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Association, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Association. Any unapproved costs not paid by Manitoba Health are absorbed by the Association.

In Globe funding is funding approved by Manitoba Health for Regional Health Association programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response, and Transport. All additional costs in these five service categories must be absorbed from within global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Association, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Association is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

b) Inventories

Inventories are valued at lower of cost or replacement cost. Cost is generally determined on an average cost basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) *Contributed services*

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

d) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the Facility's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Land improvements	5-10%
Buildings	2-5%
Leasehold improvements	5%
Building service equipment	4-10%
Equipment (including non-shareable)	5-20%
Vehicles	8-15%
Software and licenses	20%

Construction in progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to capital assets.

e) *Compensated absences*

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Association's benefit plans for vacation, statutory holiday and retirement allowances.

f) *Due from Manitoba Health – Employee future benefits*

Funding for vacation entitlements and retirement entitlement obligations is provided by Manitoba Health as part of its regular budget in the period in which expenditures are made. Accordingly, the cost of the estimated accrued vacation pay and retirement entitlement obligations at year-end is recorded on the statement of financial position as a receivable from Manitoba Health.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) *Financial instruments*

Credit risk
Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Association's accounts receivable are comprised mostly of amounts due from Manitoba Health and other government organizations, which reduces their risk.

Interest rate risk
Interest rate risk is the risk to the Association's earnings that arise from fluctuations in interest rates and the degree of volatility of these rates. The Association does not use derivative instruments to reduce this risk.

Fair value
The carrying amount of short-term financial assets and liabilities are a reasonable estimate of the fair values because of the short maturity of those instruments. Short-term financial assets are comprised of cash, accounts receivable and current portion of the Due from Manitoba Health – Employee future benefits. Short-term financial liabilities are comprised of accounts payable, accrued liabilities and the current portion of Employee future benefits.

The fair value of the long term portion of the Due from Manitoba Health – Employee future benefits and Employee future benefits could not be determined because there is no set date for repayment.

h) *Retirement entitlement obligations*

The Association applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

The Association has a contractual commitment, based on an actuarial valuation, for pre-retirement entitlement for members of the Health Employee Pension Plan and members of the Civil Service Superannuation Fund to pay out to employees four days salary per year of service upon retirement if they comply with one of the following conditions:

i) have ten years service and have reached the age 55 or

ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee.

iii) retire at or after age 65

iv) terminate employment at any time due to permanent disability

Funding for the retirement entitlement is recoverable from Manitoba Health on an out-of globe basis in the year of payment.

3. RESTATEMENT OF PRIOR PERIODS

During the year, the Association determined that principal payments restricted for the repayment of debt had been inappropriately recorded as revenue in prior periods. The prior period comparative numbers have been retroactively restated to properly account for the principal payments. The net effect of the restatement for the year ended March 31, 2002 is to decrease offset income by $14,643, increase the deferred contributions by $111,354 and decrease the opening unrestricted fund balance by $96,711.

In addition, the Association modified their method of accounting for accrued retirement obligations, accrued vacation obligations and accrued overtime obligations at the request of Manitoba Health. The prior period comparative numbers have been retroactively restated to account for the change. The net effect of the restatement for the year ended March 31, 2002 is to increase Manitoba Health income by $244,855 and increase the acute care services by $244,855.

4. ACCOUNTS RECEIVABLE

	2003	2002
Dues receivable from Foundations	$ -	$ 15,821
Canadian Customs and Revenue Agency – GST Rebate	110,496	103,433
Ambulance	83,907	64,763
Residents	41,492	43,748
Other	324,122	120,373
	560,017	348,138
Due from Manitoba Health:		
In Globe funding	751,038	58,279
Out of Globe funding	(206,850)	(216,095)
Approved capital funding	815,625	580,408
	1,359,813	422,592
	$ 1,919,830	$ 770,730

5. CAPITAL ASSETS

	2003		2002	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 333,035	$ -	$ 333,035	$ -
Land improvements	369,815	284,617	369,815	274,949
Buildings	41,165,381	9,490,707	40,429,399	8,431,715
Leasehold improvements	14,399	4,811	14,399	4,091
Building service equipment	172,308	66,833	66,279	53,835
Equipment	8,342,730	6,856,580	8,085,277	6,454,052
Non-shareable equipment	722,543	663,265	722,543	646,162
Vehicles	936,323	630,393	778,539	539,108
Software and licenses	51,394	50,010	51,394	43,233
Construction in Progress	-	-	2,631	-
	52,107,928	18,047,216	50,853,311	16,447,145
Cost less accumulated depreciation	$ 34,060,712		$ 34,406,166	

6. LONG-TERM DEBT

	2003	2002
Bank demand loan, interest at prime rate less 5/8%, maturing October of 2015 and requiring monthly principal payments of $5,200.	$ 555,753	$ 623,353
Bank demand loan, interest at prime rate less 5/8%, maturing May of 2016 and requiring monthly principal payments of $985.	155,592	-
Manitoba Health term loan payable, at an interest rate of 6.375%, maturing March of 2016, and requiring monthly principal payments of $119,048	18,571,429	20,000,000
CMHC Mortgages payable, at interest rates from 6.87% to 9.2% maturing at various dates to 2024 and requiring monthly principal and interest payments of $27,203	3,167,798	3,259,917
	22,450,572	23,883,270
Less current portion:		
Bank demand loans	711,345	623,353
Manitoba Health term loan payable	1,428,576	1,428,576
Mortgages payable	97,114	115,514
	2,237,035	2,167,443
	$ 20,213,537	$21,715,827

6. LONG-TERM DEBT (continued)

The fair value of the Association's long-term debt is $24,159,000 as at March 31, 2003 (2002 – $23,914,000) calculated using discounted cash flows analysis based on incremental borrowing rates currently available for similar terms and maturities.

Principal repayments on the long-term debt are estimated as follows:

2004	$ 1,599,905
2005	1,606,628
2006	1,613,819
2007	1,621,510
2008	1,629,736
Thereafter	14,378,974

7. DEFERRED CONTRIBUTIONS

a) *Expenses of future periods*

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for research and other purposes.

	2003	2002
Balance, beginning of year	$ 1,113,469	$ 669,463
Add amount received related to future periods	581,339	563,293
Add amount transferred from restricted net assets	-	4,036
Less amounts amortized to revenue	(322,918)	(123,323)
Less amounts transferred to deferred capital	(347,055)	-
	$ 1,024,835	$ 1,113,469

b) *Capital assets*

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2003	2002 (Restated – Note 3)
Balance, beginning of year (restated)	$ 9,354,262	$ 8,182,484
Additional contributions received/receivable	2,278,194	2,340,010
Less amounts amortized to revenue	(1,520,855)	(1,180,837)
Transfer from net assets	-	12,605
Amounts transferred from deferred contributions - expenses of future periods	347,055	-
	$ 10,458,656	$ 9,354,262

7. DEFERRED CONTRIBUTIONS (continued

b) Capital assets (continued)

The balance of unamortized capital contributions related to capital assets consists of the following:

	2003	2002 (Restated – Note 3)
Unamortized capital contributions used to purchase assets	$ 10,212,680	$ 9,148,853
Unspent contributions	245,976	205,409
	$ 10,458,656	$ 9,354,262

8. INVESTMENT IN CAPITAL ASSETS

a) Investment in capital assets is calculated as follows:

	2003	2002 (Restated – Note 3)
Capital assets	$ 34,060,716	$ 34,406,166
Amounts financed by:		
Deferred contributions	(10,212,680)	(9,148,853)
Long term debt	(22,450,572)	(23,883,270)
Due to operating account	(78,439)	(106,156)
	$ 1,319,025	$ 1,267,887

b) Change in net assets invested in capital assets is calculated as follows:

	2003	2002
Excess of revenue over expenses:		
Amortization of deferred contributions related to capital assets	$ 1,520,855	$ 1,180,837
Depreciation of capital assets	(1,600,071)	(1,253,882)
	$ (79,216)	$ (73,045)

8. INVESTMENT IN CAPITAL ASSETS (continued)

b) Change in net assets invested in capital assets is calculated as follows (continued):

	2003	2002
Net change in investment in capital assets:		
Purchase of capital assets	$ 1,254,617	$ 2,417,656
Amounts funded by:		
Deferred contributions	(674,597)	(987,894)
Long-term debt	(161,502)	(1,227,183)
Amounts transferred from deferred contributions – expenses of future periods	(347,055)	-
Transfers from deferred contributions and unrestricted net assets	31,174	18,070
Due to operating	27,717	(56,609)
	130,354	164,040
Total changes in net assets invested in capital assets	$ 51,138	$ 90,995

9. MANITOBA HEALTH INCOME

Revenue from Manitoba Health		
	Revenue as per Manitoba Health's final funding document	$ 31,202,630
Add:	Salary contract settlements	512,174
	Public health programs	73,848
	Capital projects and equipment	833,156
	Primary health IT initiative	165,015
Deduct:	Payments to Manitoba Health for surplus funding of Out of Globe items	(224,383)
Total funding approved by Manitoba Health		32,562,442
Add:	Additional vacation and pre-retirement entitlement receivable	271,435
	Salary funding adjustments	8,636
	Medical remuneration	235,837
	Public health programs	197,371
	Nursing recruitment and retention	14,965
	One time funding – EMS	150,000
Deduct:	Amounts recorded as deferred contributions	(2,635,832)
Revenue from Manitoba Health		$ 30,804,854

10. COMMITMENTS AND CONTINGENCIES

a) The Association has entered into various operating lease commitments. The amounts payable over the next five years are as follows:

2004	$ 99,180
2005	99,180
2006	97,680
2007	87,180
2008	87,180
Thereafter	87,180

b) The nature of the Association's activities is such that there is usually litigation pending or in progress at any time. With respect to claims at March 31, 2003, management believes the Association has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Association's financial position.

c) The Association participates in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2003.

11. EMPLOYEE FUTURE BENEFITS

a) *Accrued retirement entitlement*

The Association undertook an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the Association's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.5% and a rate of salary increase of 4.0% plus age related merit/ promotion scale with nil % for disability.

b) *Pension plan*

Many of the employees of the Association are members of the Health Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

11. EMPLOYEE FUTURE BENEFITS (continued)

b) *Pension Plan (continued)*

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling plus 6.6% of basic earnings in excess of the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2000, indicates the plan is fully funded.

Certain of the employees of the Association are eligible for membership in the Manitoba Homecare Employees Pension Plan, a multi-employer plan.

Actual contributions to the Health Employees Pension Plan and the Manitoba Homecare Employees Pension Plan made during the year by the Association on behalf of its employees amounted to $765,875 (2002 - $645,395) and are included in the statement of operations.

Many of the employees of the Association are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Association employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participation in the pension plan by the Association and its employees.

12. TRANSFER FROM (TO) DEFERRED CONTRIBUTIONS

The amount transferred to Deferred Contributions relates to the loan repayments made during the year for self-funded assets. The amount also included other transfers from net assets that were minor reclassifications to conform to current year presentation.

13. RECLASSIFICATION OF PRIOR YEAR'S FIGURES

Certain of the prior year's figures have been reclassified to conform with current year's presentation.

Auditors' Report

To the Board of Directors of Parkland Regional Health Authority Inc.

We have audited the consolidated statement of financial position of the Parkland Regional Health Authority Inc. as at March 31, 2003 and the consolidated statements of changes in net assets, operations and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Parkland Regional Health Authority Inc. as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with the accounting principles disclosed in Note 2.

Dauphin, Manitoba

June 6, 2003

Chartered Accountants

Parkland Regional Health Authority Inc.

Consolidated Statement of Financial Position

As at March 31, 2003

	Contract	*Devolved*	***2003***	*2002*
Assets				
Current				
Cash	1,137,030	4,774,081	**5,911,111**	5,738,556
Temporary investments	203,655	13,601,937	**13,805,592**	13,695,177
Deferred benefits entitlement *(Note 3)*	2,898,864	2,667,674	**5,566,538**	5,835,843
Accounts receivable (*Note 4)*	429,832	696,559	**1,126,391**	1,718,999
Due from Manitoba Health *(Note 5)*	-	1,297,887	**1,297,887**	3,533,408
Inventory	343,578	1,096,594	**1,440,172**	1,323,925
Prepaid expenses	203,101	475,621	**678,722**	627,496
Inter-facility	471,061	(471,061)	**-**	-
	5,687,121	24,139,292	**29,826,413**	32,473,404
Long-term investments	200,161	-	**200,161**	7,157
Property, plant and equipment *(Note 6)*	21,646,719	39,580,080	**61,226,799**	58,449,778
Trust assets	35,460	24,766	**60,226**	110,435
Deferred benefits entitlement *(Note 3)*	710,048	2,592,822	**3,302,870**	2,587,323
	28,279,509	66,336,960	**94,616,469**	93,628,097

Continued on next page

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.

Consolidated Statement of Financial Position

As at March 31, 2003

Continued from previous page

	Contract	*Devolved*	*2003*	*2002*
Liabilities				
Current				
Lines of credit	215,665	1,337,418	**1,553,083**	1,833,371
Accounts payable and accruals	559,348	3,131,791	**3,691,139**	4,895,688
Deferred benefits entitlement *(Note 3)*	2,898,864	2,667,674	**5,566,538**	5,835,843
Current portion of long-term debt *(Note 7)*	500,000	700,000	**1,200,000**	1,067,529
	4,173,877	7,836,883	**12,010,760**	13,632,431
Long-term debt *(Note 7)*	4,258,245	28,415,153	**32,673,398**	32,357,366
Deferred benefits entitlement *(Note 3)*	710,048	2,592,822	**3,302,870**	2,587,323
Deferred contributions *(Note 9)*	15,267,053	23,425,526	**38,692,579**	37,472,512
Trust liabilities	35,460	24,766	**60,226**	110,435
	24,444,683	62,295,150	**86,739,833**	86,160,067
Net Assets				
Invested in property, plant and equipment	2,105,907	945,753	**3,051,660**	2,641,128
Internally restricted for capital purposes	107,184	611,328	**718,512**	585,762
Unrestricted net assets	1,621,735	2,484,729	**4,106,464**	4,241,140
	3,834,826	4,041,810	**7,876,636**	7,468,030
	28,279,509	66,336,960	**94,616,469**	93,628,097

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2003

	Invested in property, plant and equipment	*Internally restricted for capital purposes*	*Unrestricted*	*2003 Total*	*2002 Total*
Balance, beginning of year	2,641,128	585,762	4,241,140	**7,468,030**	8,319,208
Excess (deficiency) of revenues over expenses	(350,612)	32,065	752,163	**433,616**	(428,751)
Investment in capital assets	761,144	100,685	(861,829)	-	-
Net transfers to deferred contributions	-	-	-	-	(422,427)
Net transfers from (to) foundations	-	-	(7,378)	**(7,378)**	-
Prior period adjustment	-	-	(17,632)	**(17,632)**	-
Balance, end of year	3,051,660	718,512	4,106,464	**7,876,636**	7,468,030

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.

Consolidated Statement of Operations

For the year ended March 31, 2003

	Contract	*Devolved*	*2003*	*2002*
Revenues				
Manitoba Health operating income *(Note 8)*	22,960,394	53,678,494	**76,638,888**	71,330,043
Patient income	3,585,865	2,788,628	**6,374,493**	6,243,406
Other income	854,703	2,023,987	**2,878,690**	3,209,205
Amortization of deferred contributions	883,798	2,436,508	**3,320,306**	3,007,771
	28,284,760	60,927,617	**89,212,377**	83,790,425
Expenses				
Acute care	12,198,415	21,219,965	**33,418,380**	32,200,059
Long-term care	14,301,735	10,776,911	**25,078,646**	23,824,018
Homecare	189,690	8,209,290	**8,398,980**	8,422,695
Community and mental health	-	8,399,580	**8,399,580**	7,703,141
Interest on long-term debt	243,656	2,740,555	**2,984,211**	2,839,815
Medical remuneration	495,759	2,639,246	**3,135,005**	2,714,236
Regional health costs *(Note 9)*	-	1,133,590	**1,133,590**	1,066,716
Amortization of capital assets	1,112,383	2,580,103	**3,692,486**	3,062,148
Pre-retirement	159,426	267,360	**426,786**	338,643
Emergency response and transport	-	1,329,064	**1,329,064**	1,297,836
Laundry	-	782,033	**782,033**	749,869
	28,701,064	60,077,697	**88,778,761**	84,219,176
Excess (deficiency) of revenues over expenses	(416,304)	849,920	**433,616**	(428,751)

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2003

	Contract	*Devolved*	***2003***	*2002*
Cash provided by (used in)				
Operations				
Excess (deficiency) of revenues over expenses	(416,304)	849,920	**433,616**	(428,751)
Items not involving cash				
Amortization of capital assets	1,112,383	2,580,103	**3,692,486**	3,062,148
Amortization of deferred contributions	(883,798)	(2,436,508)	**(3,320,306)**	(3,007,771)
	(187,719)	993,515	**805,796**	(374,374)
Changes in non-cash operating working capital				
Trust assets	(37,872)	(12,337)	**(50,209)**	(72,952)
Temporary investments	967,575	(1,077,990)	**(110,415)**	(1,636,525)
Lines of credit	(1,617,706)	1,337,418	**(280,288)**	(4,876,769)
Trust liabilities	37,872	12,337	**50,209**	72,952
Accounts receivable	423,332	169,276	**592,608**	(281,514)
Due from Manitoba Health	991,344	1,244,177	**2,235,521**	275,643
Inventory	(1,658)	(114,589)	**(116,247)**	(112,544)
Prepaid expenses	(7,640)	(43,586)	**(51,226)**	33,266
Accounts payable	(1,516,672)	312,122	**(1,204,550)**	307,105
	(761,425)	1,826,828	**1,065,403**	(6,291,338)
Financing and Investing				
Decrease (increase) in property, plant and equipment	(1,405,980)	(5,063,527)	**(6,469,507)**	(3,371,097)
Decrease (increase) in long-term investments	(193,004)	-	**(193,004)**	172,995
Decrease (increase) in net assets	(496,071)	471,062	**(25,009)**	(422,427)
Increase (decrease) in deferred contributions	1,955,241	2,585,132	**4,540,373**	4,346,315
Increase (decrease) in long-term debt	1,110,128	(661,625)	**448,503**	5,893,724
	970,314	(2,668,958)	**(1,698,644)**	6,619,510
Increase (decrease) in cash and cash equivalents during the year	21,170	151,385	**172,555**	(46,202)
Cash and equivalents, beginning of year	1,115,860	4,622,696	**5,738,556**	5,784,758
Cash and equivalents, end of year	1,137,030	4,774,081	**5,911,111**	5,738,556

The accompanying notes are an integral part of these financial statements.

1. Organization

The Parkland Regional Health Authority Inc. is a non-profit organization incorporated without share capital under the laws of Manitoba. The Parkland Regional Health Authority Inc. is involved in the provision of health care services to persons resident in the Parkland Region.

The Parkland Regional Health Authority Inc. is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles except for the following policy described as deferred benefits entitlement:

Deferred benefits entitlement

The Authority records a liability for employee future benefits including accrued vacation entitlements, accrued overtime and accrued retirement obligations. An expense is not recorded, but instead an offsetting asset described as "Deferred Charges – Employee Future Benefits" is recorded to reflect the expected recovery of these costs from Manitoba Health in the future period in which the expenditures are made.

The following accounting policies are in accordance with Canadian generally accepted accounting principles:

Contributions received for the periodic repayment of long-term debt

Funding provided by Manitoba Health for the periodic repayment of long-term debt is recorded as a deferred contribution. Amortization to revenue of this deferred contribution is recorded on a straight-line basis over the estimated useful life of the related property, plant and equipment based on the total amount of the long-term debt.

Basis of accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Revenue recognition

The Parkland Regional Health Authority Inc. follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Basis of reporting

These financial statements include the accounts of all controlled not-for-profit organizations of the Parkland Regional Health Authority Inc. All significant inter-departmental transactions have been eliminated.

The assets, liabilities, and operations of the following not-for-profit operations have been included in these financial statements:

Devolved facilities:

Dauphin Regional Health Centre
Roblin District Heath Centre
Gilbert Plains Health Centre
Grandview Hospital District No. 3B
Dauphin & District Ambulance Service
Roblin & District Ambulance Service
Grandview Personal Care Home
Parkland Regional Hospital Laundry Ltd.

Contract facilities:

McCreary/Alonsa Health Centre
Hôpital Général – Ste. Rose – General Hospital
Swan Valley Lodge (1991) Inc.
Swan River Valley Hospital
Swan River Valley Personal Care Home Inc.
Benito Health Centre
Winnipegosis – Mossey River Personal Care Home Inc.
Winnipegosis General Hospital
St. Paul's Home (Inc.)
Dr. Gendreau Personal Care Home Inc.
Swan River Hospital District No. 1

The Parkland Regional Health Authority Inc. also receives funding from independent organizations which organize fundraising drives in various geographical areas exclusively for the use of the Parkland Regional Health Authority Inc. or its related entities. The extent of any funding provided by these independent entities is solely at the discretion of the board of directors of the independent entities.

A number of facilities within the Parkland Regional Health Authority Inc. receive donations from charitable foundations. As there is no control, significant influence or economic interest between the Parkland Regional Health Authority Inc. and these foundations no financial information regarding these foundations is reported or disclosed in the financial statements of the Parkland Regional Health Authority Inc.

Temporary investments

Temporary investments are stated at the lower of cost and market value.

Inventory

Inventory is stated at the lower of cost and replacement cost. Cost is determined on the first-in, first-out basis.

Property, plant and equipment

Purchased property, plant and equipment are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Buildings	20 to 40 years straight-line basis
Major equipment	4 to 20 years straight-line basis

Employee future benefits

The Authority has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

a) have ten years service and have reached the age of 55, or
b) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

The Authority has recorded an accrual amount based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of the employees who have not yet met the criteria above. Funding for the retirement entitlement is recoverable from Manitoba Health on an out of globe basis in the year of payment. The effect of adopting the new recommendations was to increase the deferred retirement benefit charge and the accrued retirement obligation.

Each year, the Authority undertakes an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.5% and a rate of salary increase of 4% plus age related merit/promotion scale with nil for disability.

Due from Manitoba Health

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the year. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Financial instruments

The Parkland Regional Health Authority Inc.'s financial instruments consist of cash, accounts receivable, temporary investments, accounts payable, amounts due to (from) Manitoba Health and long-term debt. Unless otherwise noted, it is management's opinion that the Parkland Regional Health Authority Inc. is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Fair Value

The carrying amount of cash, accounts receivable, temporary investments, accounts payable, amounts due to (from) Manitoba Health and accrued liabilities approximates their fair value due to the short-term maturities of these items. The carrying amount of the organization's loans approximates their fair value as the term loans have currently prevailing interest rates.

3. Deferred benefits entitlement

Accrued employee benefit costs, including vacation pay, unused statutory holiday pay, unpaid overtime and pre-retirement benefits are recorded. Changes in the amount of both the accrued liability for these costs and the change in the related amounts receivable from Manitoba Health are reflected in the statement of operations.

The pre-retirement benefits are determined by actuarial valuation. The latest actuarial valuation of the pre-retirement leave as of March 31, 2003-based on March 31, 2002 report - reports an obligation of $4,540,774 ($1,237,904 classified as a portion of the current assets and $3,302,870 as long-term).

4. Accounts receivable

	2003	*2002*
Ambulance	85,383	99,444
Residents	71,772	28,584
Patients	75,723	50,007
Other	893,513	1,540,964
	1,126,391	1,718,999

5. Due from Manitoba Health

Current years Operating Funding	810,397	74,111
Out of Globe – 1996/1997	-	77,826
Out of Globe – 1997/1998	-	104,361
Out of Globe – 1998/1999	-	(69,169)
Out of Globe – 1999/2000	-	150,984
Out of Globe – 2000/2001	-	(104,897)
Out of Globe – 2001/2002	-	54,133
Out of Globe – 2002/2003	(108,851)	-
Approved Capital Funding	596,341	3,246,059
	1,297,887	3,533,408

6. Property, plant and equipment

	Cost	*Accumulated Amortization*	*2003 Net Book Value*	*2002 Net Book Value*
Land	586,685	-	586,685	586,685
Buildings	75,815,282	(26,718,964)	49,096,318	48,071,790
Equipment	24,972,519	(18,397,277)	6,575,242	6,236,829
Construction in progress	4,968,554	-	4,968,554	3,554,474
	106,343,040	(45,116,241)	61,226,799	58,449,778

7. Long-term debt

	2003	*2002*
Mortgage Payable Held by the Canada Mortgage & Housing Corporation bearing interest at a rate of 9.625% and payments of $8,605 per month including interest and principal.	966,522	975,127
Demand Loan Held on behalf of the Dauphin Regional Health Centre by CIBC, bearing interest at a rate of 3.75% and repayable on demand.	24,316	24,316

	2003	2002
Debenture Payable Issued on behalf of Dauphin Regional Health Centre at 10.125% due 02/08/08, repayable $216,204 principal and interest monthly. The principal portion of the payments are held in a sinking fund which is also held on behalf of Dauphin Regional Health Centre by Manitoba Health. The balance of the sinking fund as at the year end was $11,637,696 which is reflected on the statement of financial position under temporary investments.	**20,550,000**	20,550,000
Mortgage Payable Held by Canada Mortgage & Housing Corporation at 8.00%. Security consists of a first mortgage on buildings, a letter of comfort from Manitoba Health, a promissory note signed by the facility and a borrowing resolution signed by the facility. Repayments of $2,679 principal and interest monthly.	**347,563**	352,163
Bank Loan Payable	-	6,155
Debenture Payable Held on behalf of Gilbert Plains Health Centre Inc. by Province of Manitoba at 11.125%, repayable $80,450 principal and interest annually.	**482,700**	563,150
Mortgage Payable Held by Canada Mortgage & Housing Corporation at 8.00%. Security consists of a first mortgage on buildings, a letter of comfort from Manitoba Health, a promissory note signed by the facility and a borrowing resolution signed by the facility. Repayable $2,245 principal and interest monthly.	**282,513**	287,022
Bank Loan Payable Held by CIBC on behalf of Parkland Regional Health Authority bearing interest at a rate of 6.375%, due March 31, 2005, repayable $44,872 principal and interest monthly.	6,461,539	7,000,000
Mortgage Payable Held by Canada Mortgage & Housing Corporation – 9.625%. Security consists of a first mortgage on buildings, a letter of comfort from Manitoba Health, a promissory note signed by the facility and a borrowing resolution signed by the facility. Repayable $2,336 principal and interest monthly.	**321,485**	324,281
Loan Payable Held by the Royal Bank of Canada. Interest charged at the lower of Royal Bank's flex financing rate and Royal Bank prime. Repayable $3,455 principal monthly plus interest.	**12,900**	64,560

	2003	*2002*
Debenture Payable Held on behalf of Hôpital Général – Ste. Rose – General Hospital by P7rovince of Manitoba at 13.63%, due 15/11/03, repayable $24,000 principal annually plus interest.	**18,000**	42,000
Mortgage Payable Held by Bank of Nova Scotia at 4.97%, due 01/01/06, repayable $3,769 principal and interest monthly.	**453,076**	475,409
Mortgage Payable Held by Canada Mortgage & Housing Corporation at 6.375%. Security consists of a first mortgage on buildings, a letter of comfort from Manitoba Health, a promissory note signed by the facility and a borrowing resolution signed by the facility, due 2019. Repayable $3,688 principal and interest monthly.	**456,152**	471,186
Loan Payable Held by TD Canada Trust, interest at prime less .50%, repayable at $1,530 per month.	**73,258**	91,618
Loan Payable Held by TD Canada Trust, interest at prime less .750%, Repayable at $6,625 per month.	**594,601**	-
Loan Payable	**-**	18,845
Loan Payable Held by Swan Valley Credit Union repayable $8,790 per month plus interest at 3.75%.	**860,404**	-
Loan Payable Held by the Canada Mortgage and Housing Corporation, repayable $3,124 per month including interest at 7.25%, maturing 01/12/22.	**396,296**	407,547
Loan Payable Held by TD Canada Trust, interest at prime less .50%. No fixed repayment terms.	**98,705**	120,725
Mortgage Payable Held by the Dauphin Plains Credit Union, repayable $14,105 per month plus interest at 6.25%.	**1,195,108**	1,367,983

Mortgage Payable Held by Canada Mortgage and Housing Corporation, repayable $2,235 per month including interest at 8.00%.	**278,260**	282,808
	33,873,398	33,424,895
Amount due within one year included in current liabilities	**1,200,000**	1,067,529
	32,673,398	32,357,366

Principal repayments required in each of the next five years are estimated as follows:

2004	1,200,000
2005	1,150,000
2006	1,150,000
2007	1,200,000
2008	1,100,000

8. Manitoba Health operating income

			2003
Revenue as per Manitoba's Health's final funding document			**76,705,691**
Add:	One-time funding adjustment	100,000	
	Pharmacist retention bonus	81,326	
	MSSP payroll arbitration award	372,483	
	Salary increments	710,518	
	Medical remuneration (prior year payment)	158,397	
			1,422,724
			78,128,415
Deduct:	Payments to Manitoba Health for surplus funding for out-of-globe items		**(108,851)**
Total funding approved by Manitoba Health			78,019,564
Add:	Other program revenue		
	Community Health Resource Centre	172,768	
	Northern Health Pelican Rapids	48,800	
	Hepatitis B Program	52,629	
	Influenza Program	29,122	
			303,319

		2003
Previous year settlement adjustments		497,215
Deduct:	Amounts recorded as deferred contributions for long-term debt repayments and/or future expenses	**(2,181,210)**
		76,638,888

9. Regional health costs

	2003	*2002*
Corporate office salaries	**595,684**	577,203
Corporate office benefits	**78,472**	71,065
Expenses paid on behalf of facilities	**42,826**	65,920
Board expenses	**93,559**	80,221
Medical recruitment	**5,427**	-
Nursing formal education	**32,558**	-
Other	**285,064**	272,307
	1,133,590	1,066,716

10. Pension plan

Substantially all of the employees of the Authority are members of the Health Employees Pension Plan (HEPP) or the Civil Service Superannuation Plan (CSSP). HEPP is a multi-employer defined benefit pension plan, which is accounted for as a defined contribution plan. The plan is available to all eligible employees of the participating members of the Authority. Former civil servants transferred to the Authority could elect to remain members of the CSSP which is a government based defined benefit plan. All new Authority employees are eligible to join HEPP and not the CSSP.

The most recent actuarial valuation of the HEPP at December 31, 2002 indicated the Plan is fully funded. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $1,274,268 and are included in the Statement of Operations. The Civil Service Superannuation Plan is unfunded and requires no contributions by the Authority.

11. Deferred contributions

Deferred contributions represent capital funding received from Manitoba Health or donations received from other sources restricted for the purchase of depreciable capital assets and/or future expenses.

12. Economic dependence

The Parkland Regional Health Authority Inc. received 86% of its total revenue for the year ended March 31, 2003 from Manitoba Health.

13. Comparative amounts

Certain of the prior year's figures have been restated in order to conform with the presentation adopted for the current year.

MNP
MEYERS NORRIS PENNY LLP

AUDITORS' REPORT

To the Board of Directors of
Regional Health Authority – Central Manitoba Inc.

We have audited the consolidated statement of financial position of Regional Health Authority – Central Manitoba Inc. as at March 31, 2003 and the consolidated statements of operations, consolidated changes in net assets and consolidated cash flows for the year then ended. These consolidated financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Portage la Prairie, Manitoba
June 18, 2003

Chartered Accountants

an independent member of
BAKER TILLY
INTERNATIONAL

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Financial Position

March 31, 2003

	2003	2002
ASSETS		
CURRENT		
Cash and short term investments	$ 8,997,703	$ 9,520,053
Accounts receivable, net	984,366	999,256
Accounts receivable - Manitoba Health (Note 3)	741,175	554,318
Inventories	924,985	1,148,993
Prepaid expenses	179,952	118,089
Deferred benefit entitlements (Note 4)	6,085,000	5,876,700
	17,913,181	18,217,409
NON-CURRENT		
Investments	2,000,000	2,000,000
Deferred benefit entitlements (Note 4)	7,815,000	7,262,000
Capital assets (Note 5)	86,571,286	89,062,087
Other assets	140,061	129,658
	$ 114,439,528	$ 116,671,154
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	$ 7,298,830	$ 7,963,614
Accrued benefit entitlements (Note 4)	6,085,000	5,876,700
Current portion of long term debt (Note 6)	2,842,500	2,916,000
	16,226,330	16,756,314
NON-CURRENT		
Accrued benefit entitlements (Note 4)	7,815,000	7,262,000
Long term debt (Note 6)	44,685,403	46,856,319
	52,500,403	54,118,319
DEFERRED CONTRIBUTIONS (Note 7)		
Expenses of future periods	3,116,813	3,266,638
Capital assets	38,063,190	38,624,341
	41,180,003	41,890,979
NET ASSETS		
Invested in capital assets (Note 8)	1,061,951	792,445
Contract facilities (Note 9)	1,933,026	1,696,395
Internally restricted	377,392	714,041
Unrestricted	1,160,423	702,661
	4,532,792	3,905,542
COMMITMENTS AND CONTINGENCIES (Note 10)		
	$ 114,439,528	$ 116,671,154

APPROVED BY THE BOARD OF DIRECTORS

C Gutsinger Director

J Krahn Director

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Operations
Year Ended March 31, 2003

	2003	2002
REVENUE		
Manitoba Health (Note 11)	$ 111,820,770	$ 103,772,766
Other government departments	1,025,268	641,605
Non-global patient and resident income	10,799,220	10,293,642
Other income	3,848,134	3,605,781
Amortization of deferred contributions - operating	223,640	81,990
Amortization of deferred contributions - capital	5,109,746	5,297,837
Interest and donations	359,222	372,715
Ancillary operations (Schedule 1)	2,166,158	1,895,447
	135,352,158	125,961,783
EXPENSES		
Acute care services	44,908,167	42,317,780
Long term care services	36,570,935	34,565,138
Medical remuneration	8,800,094	8,379,987
Community based therapy services	1,338,092	1,288,430
Community based mental health services	6,305,737	5,965,352
Community based home care services	12,824,592	12,397,449
Community based health services	4,767,616	4,345,169
Land ambulance	3,221,746	2,963,757
Regional health authority undistributed	5,442,855	5,170,872
Commissioning costs	-	433,759
Interest on long term debt	2,736,597	2,479,405
Pre-retirement leave	575,354	581,838
Amortization of capital assets	4,728,536	4,722,773
Major repairs	550,133	475,371
Donations to foundations	12,000	13,214
Ancillary operations (Schedule 1)	1,980,593	1,606,967
	134,763,047	127,707,261
OPERATING EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	589,111	(1,745,478)
OTHER INCOME (EXPENSE)		
Amortization of deferred contributions - sale or transfer of capital assets	48,394	2,338,493
Sale or transfer of capital assets	(10,255)	(2,303,214)
	38,139	35,279
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 627,250	$ (1,710,199)
ALLOCATION OF EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES		
Capital and donations to foundations	$ (142,784)	$ 121,758
Interest and donations	359,222	372,715
Ancillary operations	185,565	288,480
Prior years' funding adjustments	20,516	-
Vacation bank change	154,821	-
Health care operations	49,910	(2,493,152)
TOTAL	$ 627,250	$ (1,710,199)

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Changes in Net Assets

Year Ended March 31, 2003

	Invested in Capital Assets	Contract Facilities (Note 9)	Internally Restricted	Unrestricted	2003 Total	2002 Total
Balance, beginning of year	$ 792,445	$ 1,696,395	$ 714,041	$ 702,661	$ 3,905,542	$ 5,615,741
Excess (deficiency) of revenue over expenses	(264,848)	295,531	-	596,567	627,250	(1,710,109)
Repayment of non-Manitoba Health funded long term debt	136,201	-	-	(136,201)	-	-
Investment in capital assets	398,153	(58,900)	(336,649)	(2,604)	-	-
Balance, end of year	$ 1,061,951	$ 1,933,026	$ 377,392	$ 1,160,423	$ 4,532,792	$ 3,905,542

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Cash Flows

Year Ended March 31, 2003

	2003	2002
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	$ 627,250	$ (1,710,199)
Items not affecting cash		
Amortization of capital assets	4,863,451	4,853,353
Sale or transfer of capital assets	10,255	2,303,214
Amortization of deferred contributions related to expenses of future periods	(898,730)	(622,630)
Amortization of deferred contributions related to capital assets	(4,646,997)	(7,195,702)
Changes in non-cash operating working capital items	(674,605)	3,521,538
	(719,376)	1,149,574
FINANCING ACTIVITIES		
Increase in deferred contributions related to expenses of future periods	1,553,730	1,137,273
Increase in deferred contributions related to capital assets	3,281,021	1,971,340
Advances on long term debt	703,031	28,313,425
Principal payments on long term debt	(2,947,447)	(23,138,880)
	2,590,335	8,283,158
INVESTING ACTIVITIES		
Purchase of capital assets	(2,421,045)	(8,088,878)
Proceeds on sale of capital assets	38,139	41,702
Increase in long term investments	-	(2,000,000)
Change in other assets	(10,403)	(12,951)
	(2,393,309)	(10,060,127)
INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(522,350)	(627,395)
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	9,520,053	10,147,448
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$ 8,997,703	$ 9,520,053

1. NATURE OF BUSINESS

Regional Health Authority - Central Manitoba Inc. (the Authority) was incorporated under the laws of Manitoba on January 2, 1996. The Authority commenced activity on April 1, 1997. The Authority is principally involved in providing health care services to the central region of Manitoba. The Authority is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies for the Authority.

a) Basis of reporting

The Authority provides health care services through devolved and contract facilities. The contract facilities include Salem Home Inc., Tabor Senior Citizens Homes, Inc., Eden Mental Health Centre, Rock Lake Health District and Prairie View Lodge, Inc..

The health care services provided by the contract facilities are delivered under the control of the Authority as the majority funder. Accordingly, the financial position and results of operations of these related organizations are consolidated in the financial statements of the Authority. A financial summary of these contract facilities is provided in Schedules 2 and 3.

All significant inter-company and inter-divisional transactions have been eliminated. Transactions with non-controlled contract entities and certain non-devolved ambulance services have not been consolidated and the transactions are recorded as a purchased service.

b) Revenue recognition

The Authority follows the deferral method of accounting for contributions which include government grants and donations.

Under the Health Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2003.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

c) Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investments

Investments, both short term and long term, are carried at the lower of cost and market value. At March 31, 2003, cost approximates market value for these investments.

e) Inventories

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

f) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying value is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2%
Major equipment	10% - 20%

Construction in progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to capital assets.

g) Vacation pay

The Authority records the accrued vacation pay entitlement liability. Funding for the entitlement is recoverable as a component of salary cost funding for the subsequent year.

h) Retirement entitlement obligation

The Authority has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

a) have ten years service and have reached the age of 55, or
b) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee.

The Authority has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of the employees who have not yet met the criteria above. Funding for the retirement entitlement is recoverable from Manitoba Health on an out of globe basis in the year of payment.

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.5% and a rate of salary increase of 4.0% plus age related merit / promotion scale with nil for disability.

i) Deferred charges

Funding for vacation entitlements and retirement entitlement obligations is provided by the Authority in the period in which the expenditures are made. Accordingly, the cost of the estimated accrued vacation pay and retirement entitlement obligations at year-end is deferred to enable an appropriate matching of expenses with revenue secured in subsequent years.

3. ACCOUNTS RECEIVABLE - MANITOBA HEALTH

Accounts Receivable - Manitoba Health includes the following:

	2003	2002
Current year's operating funding	$ 1,273,670	$ 64,767
Out of globe amounts - 2002/2003	(695,721)	-
Out of globe amounts - 2001/2002	-	(220,376)
Out of globe amounts - 2000/2001	-	(440,559)
In globe deficit - 2000/2001	-	752,307
Approved capital projects	163,226	398,179
	$ 741,175	$ 554,318

4. DEFERRED BENEFIT ENTITLEMENTS AND ACCRUED BENEFIT ENTITLEMENTS

The deferred benefit entitlements represent future funding receivable for accrued vacation and retirement benefits.

	2003	2002
CURRENT		
Vacation pay	$ 6,085,000	$ 5,627,500
Statutory holidays and overtime	-	249,200
	$ 6,085,000	$ 5,876,700
OTHER		
Retirement benefits	$ 7,815,000	$ 7,262,000

5. CAPITAL ASSETS

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,536,041	$ -	$ 1,536,041	$ 1,536,041
Buildings	93,624,074	23,928,435	69,695,639	71,258,208
Major equipment	43,317,324	28,435,975	14,881,349	15,948,907
Construction in progress	458,257	-	458,257	318,931
	$ 138,935,696	$ 52,364,410	$ 86,571,286	$ 89,062,087

6. LONG TERM DEBT

	2003	2002
Debentures	$ 151,800	$ 408,200
Canada Mortgage and Housing Corporation mortgages	8,853,001	9,135,931
Province of Manitoba promissory notes	35,598,040	37,715,686
Bank loans	2,925,062	2,512,502
	47,527,903	49,772,319
Less: current portion	2,842,500	2,916,000
	$ 44,685,403	$ 46,856,319

6. LONG TERM DEBT (continued)

Debentures bear interest at 13.375% and 13.625% and mature at various dates on or before November 15, 2004. The indenture documentation for the debentures outstanding assigns the subsidies provided by Manitoba Health for payment of the debenture.

Canada Mortgage and Housing Corporation mortgages bear interest between 5.125% and 10% and mature at various dates on or before July 1, 2028. The mortgages are secured by land and buildings.

Province of Manitoba promissory notes bear interest at 6.125% and 6.25% and mature March 31, 2018 and January 31, 2022.

Bank loans bear interest at floating rates based on the bank prime lending rates. The amounts are generally due on demand but have repayment terms as negotiated by the Authority. These amounts are secured by letters of comfort from Manitoba Health.

Estimated principal repayment requirements for the next five years are as follows:

2004	$ 2,842,500
2005	2,802,800
2006	2,779,700
2007	2,800,100
2008	2,823,900

7. DEFERRED CONTRIBUTIONS

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted donations and grants received for future expenditures including capital assets. Amortization is recorded as revenue in the statement of operations and matched with expenditures incurred with these funds.

	2003	2002
Balance, beginning of year	$ 3,266,638	$ 3,663,246
Additional contributions received	1,553,730	1,137,273
Amount transferred to capital assets	(804,825)	(911,251)
Less amounts amortized to revenue	(898,730)	(622,630)
	$ 3,116,813	$ 3,266,638

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2003	2002
Balance, beginning of year	$ 38,624,341	$ 42,937,452
Additional contributions received	3,281,021	1,971,340
Amount transferred from expenses of future periods	804,825	911,251
Less amounts amortized to revenue	(4,646,997)	(7,195,702)
	$ 38,063,190	$ 38,624,341

8. INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	2003	2002
Capital assets	$ 86,571,286	$ 89,062,087
Amounts financed by:		
Deferred contributions	(38,063,190)	(38,624,341)
Long term debt	(47,527,903)	(49,772,319)
Working capital	81,758	127,018
	$ 1,061,951	$ 792,445

b) Change in net assets invested in capital assets is calculated as follows:

	2003	2002
Excess (deficiency) of revenues over expenses		
Amortization of deferred contributions related to capital assets	$ 4,646,997	$ 7,195,702
Amortization of capital assets	(4,863,451)	(4,853,353)
Sale or transfer of capital assets	(10,255)	(2,303,214)
Proceeds on sale of capital assets	(38,139)	(41,702)
	(264,848)	(2,567)
Repayment of non-Manitoba Health funded long term debt	136,201	128,743
Investment in capital assets		
Purchase of capital assets	2,421,045	8,088,878
Principal payments on Manitoba Health funded long term debt	2,811,246	23,010,137
Amounts funded by deferred contributions	(4,085,846)	(2,882,591)
Advances on long term debt	(703,031)	(28,313,425)
Amounts funded with working capital	(45,261)	392,986
	398,153	295,985
	$ 269,506	$ 422,161

9. CONTRACT FACILITIES - NET ASSETS

Contract facilities - net assets represent the net assets, other than Invested in capital assets, of the contract facilities that have been consolidated in the financial statements of the Authority.

The amounts are as follows:

	2003	2002
Internally restricted	$ 793,332	$ 811,278
Externally restricted	12,136	11,669
Unrestricted	1,127,558	873,448
	$ 1,933,026	$ 1,696,395

10. COMMITMENTS AND CONTINGENCIES

a) The Authority is subject to individual legal actions arising in the normal course of business. The effect of any contingent claims relating to these legal actions is not determinable at the date of the audit report.

b) The Healthcare Insurance Reciprocal of Canada ("HIROC") is an organization that pools the public liability insurance risks of all its members. Although the Authority was not a member during the year, it may be subject to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No reassessments have been made to March 31, 2003.

11. MANITOBA HEALTH REVENUE

Manitoba Health revenue includes the following:

	2003	2002
Revenue as per final approved budget	$ 112,260,696	$ 106,563,900
Amounts recorded as deferred contributions	(3,404,733)	(3,424,077)
	108,855,963	103,139,823
Current year's estimated out of globe amounts	(714,230)	(276,727)
Vacation bank change	(154,821)	-
One time funding - special	2,000,000	-
One time funding - medical remuneration	124,106	81,390
One time funding - midwifery	54,282	161,507
One time funding - contract settlements	1,552,654	644,397
One time funding - mental health	82,300	-
One time funding - employee assistance program	-	22,376
Prior years' funding adjustments	20,516	-
	$ 111,820,770	$ 103,772,766

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of short-term financial assets and liabilities are reasonable estimates of their fair values because of the short maturity of those instruments. Short term financial assets are comprised of cash, short term investments and accounts receivable. Short term financial liabilities are comprised of accounts payable and accrued liabilities.

13. ECONOMIC DEPENDENCE

The Authority receives in excess of 80% of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for its continued operations.

14. PENSION PLAN

Substantially all of the employees of the Authority are members of the Health Employees Pension Plan (HEPP) or the Civil Service Superannuation Plan (CSSP). HEPP is a multi-employer defined benefit pension plan, which is accounted for as a defined contribution plan. HEPP is available to all eligible employees of the participating members of the Authority. Former civil servants transferred to the Authority could elect to remain members of the CSSP which is a government based defined benefit plan which is accounted for as a defined contribution plan. All new Authority employees are eligible to join HEPP and not the CSSP.

The most recent actuarial valuation of the HEPP at December 31, 2001 indicates HEPP is fully funded. Contributions to HEPP made during the year by the Authority on behalf of its employees amounted to $3,189,000 and are included in the Statement of Operations. The CSSP is unfunded and requires no contributions by the Authority.

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Schedule 1

Statement of Operations - Ancillary Operations

Year Ended March 31, 2003

	Elderly Person's Housing	Handivan	Retail Pharmacy	LPN Training Program	Contract Facilities	2003	2002
REVENUE							
Outside sources	$ 901,351	$ 47,272	$ 780,959	$ 151,288	$ 121,341	$ **2,002,211**	$ 1,795,435
Amortization of deferred contributions	114,589	26,040	-	18,982	4,336	**163,947**	100,012
	1,015,940	73,312	780,959	170,270	125,677	**2,166,158**	1,895,447
EXPENSES							
Operating	483,436	39,433	630,076	170,270	85,381	**1,408,596**	1,091,577
Amortization of capital assets	104,540	26,040	-	-	4,336	**134,916**	130,580
Interest on long term debt	251,905	-	-	-	9,801	**261,706**	261,241
Major repairs	166,375	-	-	-	9,000	**175,375**	123,569
	1,006,256	65,473	630,076	170,270	108,518	**1,980,593**	1,606,967
EXCESS OF REVENUE OVER EXPENSES	$ 9,884	$ 7,839	$ 150,883	$ -	$ 17,159	$ **185,565**	$ 288,480

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Schedule 2

Statement of Financial Position - Segmented

March 31, 2003

	Devolved	Contract	2003	2002
ASSETS				
CURRENT				
Cash and short term investments	$ 6,646,136	$ 2,351,567	$ **8,997,703**	$ 9,520,053
Accounts receivable, net	455,971	528,395	**984,366**	999,256
Accounts receivable - Manitoba Health	644,433	96,742	**741,175**	554,318
Inventories	804,831	120,154	**924,985**	1,148,993
Prepaid expenses	117,027	62,925	**179,952**	118,089
Deferred benefit entitlements	5,185,000	900,000	**6,085,000**	5,876,700
	13,853,398	4,059,783	**17,913,181**	18,217,409
NON-CURRENT				
Investments	2,000,000	-	**2,000,000**	2,000,000
Deferred benefit entitlements	6,720,000	1,095,000	**7,815,000**	7,262,000
Capital assets	76,083,460	10,487,826	**86,571,286**	89,062,087
Other assets	-	140,061	**140,061**	129,658
	$ 98,656,858	$ 15,782,670	$ **114,439,528**	$ 116,671,154
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities	$ 6,306,484	$ 992,346	$ **7,298,830**	$ 7,963,614
Accrued benefit entitlements	5,185,000	900,000	**6,085,000**	5,876,700
Current portion of long term debt	2,770,500	72,000	**2,842,500**	2,916,000
	14,261,984	1,964,346	**16,226,330**	16,756,314
NON-CURRENT				
Accrued benefit entitlements	6,720,000	1,095,000	**7,815,000**	7,262,000
Long term debt	43,445,069	1,240,334	**44,685,403**	46,856,319
	50,165,069	2,335,334	**52,500,403**	54,118,319
DEFERRED CONTRIBUTIONS				
Expenses of future periods	2,743,286	373,527	**3,116,813**	3,266,638
Capital assets	29,190,314	8,872,876	**38,063,190**	38,624,341
	31,933,600	9,246,403	**41,180,003**	41,890,979
NET ASSETS				
Invested in capital assets	758,390	303,561	**1,061,951**	792,445
Contract facilities	-	1,933,026	**1,933,026**	1,696,395
Internally restricted	377,392	-	**377,392**	714,041
Unrestricted	1,160,423	-	**1,160,423**	702,661
	2,296,205	2,236,587	**4,532,792**	3,905,542
	$ 98,656,858	$ 15,782,670	$ **114,439,528**	$ 116,671,154

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Schedule 3

Statement of Operations - Segmented

Year Ended March 31, 2003

	Devolved	Contract	2003	2002
REVENUE				
Manitoba Health	$ 96,576,802	$ 15,243,968	$ 111,820,770	$ 103,772,766
Other government departments	1,025,268	-	1,025,288	641,605
Non-global patient and resident income	7,638,416	3,160,804	10,799,220	10,293,642
Other income	3,047,027	801,107	3,848,134	3,605,781
Amortization of deferred contributions - operating	178,299	45,341	223,640	81,990
Amortization of deferred contributions - capital and foundations	4,568,626	541,120	5,109,746	5,297,837
Interest and donations	302,197	57,025	359,222	372,715
Ancillary operations	2,040,481	125,677	2,166,158	1,895,447
	115,377,116	19,975,042	135,352,158	125,961,783
EXPENSES				
Acute care services	43,723,899	1,184,268	44,908,167	42,317,780
Long term care services	24,468,002	12,102,933	36,570,935	34,565,138
Medical remuneration	7,298,187	1,501,907	8,800,094	8,379,987
Community based therapy services	1,338,092	-	1,338,092	1,288,430
Community based mental health services	2,367,768	3,937,969	6,305,737	5,965,352
Community based home care services	12,824,592	-	12,824,592	12,397,449
Community based health services	4,640,015	127,601	4,767,616	4,345,169
Land ambulance	3,221,746	-	3,221,746	2,963,757
Regional Health Authority undistributed	5,442,855	-	5,442,855	5,170,872
Commissioning costs	-	-	-	433,759
Interest on long term debt	2,669,114	67,483	2,736,597	2,479,405
Pre-retirement leave	479,642	95,712	575,354	581,838
Amortization of capital assets	4,207,481	521,055	4,728,536	4,722,773
Major repairs	510,335	39,798	550,133	475,371
Donations to foundations	-	12,000	12,000	13,214
Ancillary operations	1,872,075	108,518	1,980,593	1,606,967
	115,063,803	19,699,244	134,763,047	127,707,261
OPERATING EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	313,313	275,798	589,111	(1,745,478)
OTHER INCOME (EXPENSE)				
Amortization of deferred contributions - sale or transfer of capital assets	48,394	-	48,394	2,338,493
Sale or transfer of capital assets	(10,255)	-	(10,255)	(2,303,214)
	38,139	-	38,139	35,279
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 351,452	$ 275,798	$ 627,250	$ (1,710,199)
ALLOCATION OF EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES				
Capital and donations to foundations	$ (111,051)	$ (31,733)	$ (142,784)	$ 121,758
Interest and donations	302,197	57,025	359,222	372,715
Ancillary operations	168,406	17,159	185,565	288,480
Prior years' funding adjustments	13,197	7,319	20,516	145,306
Vacation bank change	154,821	-	154,821	-
Health care operations	(176,118)	226,028	49,910	(2,638,458)
TOTAL	$ 351,452	$ 275,798	$ 627,250	$ (1,710,199)

BDO

BDO Dunwoody LLP
Chartered Accountants
and Consultants
www.bdo.ca

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone (204) 956-7200
Telefax (204) 926-7201

Auditors' Report

To the Board of Directors of
SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC..

We have audited the consolidated statement of financial position of **SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.** as at March 31, 2003 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion. the financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting policies.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 30, 2003

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Financial Position

March 31	2003	2002
Assets		
Current Assets		
Cash and term deposits	$ 171,214	$ 873,944
Accounts receivable (Note 1)	1,273,301	1,162,357
Due from Manitoba Health (Note 2)	181,622	303,319
Inventories	687,491	628,248
Prepaid expense	81,820	69,431
Deferred vacation entitlements	2,092,216	1,779,290
	4,487,664	4,816,589
Deferred retirement obligations	2,214,384	2,252,865
Restricted assets (Note 3)	310,095	480,425
Capital assets (Note 4)	49,145,159	45,127,309
	$ 56,157,302	$ 52,677,188

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Financial Position

March 31	2003	2002
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,498,968	$ 3,320,993
Accrued vacation entitlements	2,092,216	1,779,290
Current portion of long-term debt (Note 6)	5,031,628	3,278,014
Unearned revenue	483,497	372,720
	9,106,309	8,751,017
Accrued retirement obligations (Note 12)	2,214,384	2,252,865
Long-term debt (Note 6)	24,008,400	23,463,660
Deferred Contributions (Note 7)		
Expenses of future periods	1,311,946	1,279,272
Capital assets	18,851,836	17,737,474
	20,163,782	19,016,746
Commitments and contingencies (Note 10)		
Net Assets		
Investment in capital assets (Note 8)	1,253,295	648,161
Externally restricted - Contract facilities	(536,525)	37,814
Externally restricted	310,095	480,425
Unrestricted	(362,438)	(1,973,500)
	664,427	(807,100)
	$ 56,157,302	$ 52,677,188

Approved on behalf of the Board:

Director

Director

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Operations

For the year ended March 31	2003	2002
Revenue		
Province of Manitoba		
Health	$ 44,321,584	$ 38,025,453
Other	698,471	414,571
Government of Canada	269,816	199,464
Non-insured income	3,573,183	3,381,954
Other income and recovered services	852,557	857,644
Ambulance income	410,900	372,620
Amortization of deferred contributions	1,655,511	1,571,483
	51,782,022	44,823,189
Expenditures		
Acute care services	13,603,862	12,189,691
Amortization of capital assets	1,655,511	1,571,483
Community based health services	3,674,255	3,566,917
Community based home care services	7,547,381	7,466,904
Community based mental health services	1,281,612	1,072,434
Interest on long-term debt	1,296,435	700,090
Laboratory and X-ray	2,057,704	1,878,940
Land ambulance	996,888	916,601
Long-term care services	15,633,205	13,024,272
Medical remuneration	2,861,682	2,820,060
Regional Health Authority costs	834,099	797,096
	51,442,634	46,004,488
Excess (deficiency) of revenue over expenditures before other items	339,388	(1,181,299)
Other Items		
Manitoba Health		
Anticipated settlements - 2000/01		(23,505)
Prior year settlements	1,303,289	-
	1,303,289	(23,505)
Excess (deficiency) of revenue over expenditures for the year	$ 1,642,677	$ (1,204,804)

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Changes in Net Assets

For the year ended March 31					2003	2002
	Investment in Capital Assets (Note 8)	Externally Restricted - Contract Facilities	Externally Restricted (Note 3)	Unrestricted	Total	Total
Balance, beginning of year - as previously stated	$ 648,161	$ 37,814	$ 480,425	$ (1,371,268)	$ (204,868)	$ 1,063,669
Adjustment to deferred contributions (Note 14)	-	-	-	(602,232)	(602,232)	(602,232)
- as restated	648,161	37,814	480,425	(1,973,500)	(807,100)	461,437
Transfers to deferred contributions	-	(820)	(120,964)	-	(121,784)	(26,594)
Expenditures during year	-	-	(49,366)	-	(49,366)	(37,139)
Excess (deficiency) of revenue over expenditures for the year	-	(152,171)	-	1,794,848	1,642,677	(1,204,804)
Net changes in investment in capital assets (Note 8)	605,134	(421,348)	-	(183,786)	-	-
Balance, end of year	$ 1,253,295	$ (536,525)	$ 310,095	$ (362,438)	$ 664,427	$ (807,100)

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.

Consolidated Statement of Cash Flows

For the year ended March 31	2003	2002
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ 1,642,677	$ (1,204,804)
Adjustments for		
Amortization of capital assets	1,655,511	1,571,483
Amortization of deferred contributions related to capital assets	(1,655,511)	(1,571,483)
	1,642,677	(1,204,804)
Changes in non-cash working capital		
Accounts receivable	(110,944)	2,393,988
Manitoba Health receivable	121,697	(303,319)
Inventories	(59,243)	(37,769)
Prepaid expense	(12,389)	(20,445)
Deferred vacation entitlements	(312,926)	(75,112)
Deferred retirement obligations	38,481	(88,649)
Accounts payable and accrued liabilities	(1,822,025)	869,475
Accrued vacation entitlements	312,926	75,112
Unearned revenue	110,777	(130,926)
Accrued retirement obligations	(38,481)	88,649
	(1,772,127)	2,771,004
	(129,450)	1,566,200
Cash Flows from Investing Activities		
Decrease in restricted assets	170,330	94,243
Purchase of capital assets (net)	(5,673,361)	(13,421,379)
Restricted assets expenditures	(49,366)	(37,139)
	(5,552,397)	(13,364,275)
Cash Flows from Financing Activities		
Advances of long-term debt	3,856,716	13,553,655
Repayment of long-term debt	(1,558,362)	(1,813,591)
Increase in deferred contributions related to expenses of future periods (net)	32,674	176,848
Receipt of deferred contributions related to capital assets	2,769,873	1,542,392
Net transfers	(121,784)	(26,594)
	4,979,117	13,432,710
Net increase (decrease) in cash and cash equivalents	(702,730)	1,634,635
Cash and cash equivalents, beginning of year	873,944	(760,691)
Cash and cash equivalents, end of year	$ 171,214	$ 873,944

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Summary of Significant Accounting Policies

March 31, 2003

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting policies.

Entity Definition and Basis of Financial Statements

South Eastman Health/Santé Sud-Est Inc. was incorporated under the laws of the Province of Manitoba on January 2, 1996. The Authority commenced providing health care services on April 1, 1997 in the southeastern region of Manitoba. The Authority is a registered charity under The Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of The Income Tax Act are met.

Under the Regional Health Authorities and Consequential Amendments Act, the Authority entered into negotiations with all health care facilities in the region to either transfer those facilities' operations, property, liabilities and obligations to the Authority or to operate as a contract facility funded by the Authority. These negotiations have been completed. Obligations under these agreements are detailed further in Note 3.

Three facilities within the region operate under contract arrangements for funding with the Authority. They are Rest Haven Nursing Home, Menno Home for the Aged and Villa Youville Inc. - Nursing. The operations of these facilities have been consolidated in these financial statements as the Authority exercises significant influence over them by virtue of acting as funding agent. Any non-Manitoba Health funded activities of these facilities (i.e. apartments, seniors' housing) have been excluded from these financial statements.

Revenue Recognition

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with Manitoba Health with respect to the year ended March 31, 2003.

With respect to actual operating results, certain adjustments to funding will be made by Manitoba Health after completion of their review of the Authority's accounts.

Revenue Recognition (continued)

In Globe Funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe Funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to global funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such times as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding is funding approved by Manitoba Health for specific programs.

Any operating surpluses related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficits related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid to Manitoba Health are absorbed by the Authority.

Any adjustments will be reflected in the year the final statement of recommended costs is received from Manitoba Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue Recognition (continued)

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.

Inventories

Inventories are valued at the lower of cost and net realizable value, cost being determined by the first-in, first-out method.

Deferred Vacation Entitlements

Accrued vacation pay is deferred and charged to expense as the employees take the corresponding vacation time.

Deferred Retirement Obligations

The Authority pays accumulated benefits to eligible employees upon retirement. Actuarial estimates of the present value of projected benefits to be paid under the plan have been recorded as a liability of the Authority, with a corresponding deferred expense.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2% to 2.5%
Major equipment	10% to 20%

Financial Instruments	The Authority's financial instruments consist of cash, accounts receivable, accounts payable, amounts due to (from) Manitoba Health and long-term debt. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments.

1. Accounts Receivable

		2003		2002
Receivables from patients	$	115,417	$	39,108
Residents		106,961		166,886
Goods and services tax		431,039		131,742
Province of Manitoba - Midwifery		73,642		146,060
- Baby First		59,500		-
Government of Canada - Healthy Women Healthy Child		100,000		-
- Understanding the Early Years		60,102		-
Due from related parties - Contract facilities		109,017		117,016
The Bethesda Foundation Inc.		42,338		71,617
Other		175,285		489,928
	$	1,273,301	$	1,162,357

2. Due from Manitoba Health

		2003		2002
In Globe - Immunization funding	$	89,588	$	-
In Globe - MGEU Collective Agreement		393,502		-
In Globe - CUPE Collective Agreement		38,880		-
Out of Globe - Acute off-set income		-		(196,127)
Out of Globe - Chemotherapy		-		154,157
Out of Globe - Residential charges/authorized charges		(195,451)		92,285
Out of Globe - Capital funding		(3,460)		72,178
Out of Globe - Medical remuneration		(247,248)		-
Out of Globe - Pre-retirement leave		105,811		180,826
	$	181,622	$	303,319

3. Restricted Assets

The Authority entered and completed negotiations with the health facilities in the region to have their obligations, property, and liabilities transferred to it. The Authority agreed to use prior operating surpluses to promote health within the specific districts. These operating surpluses were as follows:

	De Salaberry District Health Centre	Vita and District Health Centre	Ste. Anne Hospital	Total
Balance, beginning of year	$ 187,352	$ 269,454	$ 23,619	$ 480,425
2001/2002 expenditures	(34,330)	(15,036)	-	(49,366)
Transfers to deferred contributions	-	(110,812)	(10,152)	(120,964)
Balance, end of year	$ 153,022	$ 143,606	$ 13,467	$ 310,095

The Authority also agreed to use current ambulance surpluses and assets for improving emergency medical services in accordance with the terms of the agreements.

4. Capital Assets

	2003		2002	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 693,088	$ -	$ 646,689	$ -
Buildings	32,443,687	10,578,561	32,310,252	9,893,862
Major equipment	18,317,748	8,621,240	14,324,590	7,650,427
Construction in progress	16,890,437	-	15,390,067	-
	$ 68,344,960	$ 19,199,801	$ 62,671,598	$ 17,544,289
Cost less accumulated amortization		$ 49,145,159		$ 45,127,309

The Authority has substantially completed construction of a 60 bed personal care home attached to the Bethesda Hospital and a 66 bed addition at Villa Youville.

5. Bank Indebtedness

The Authority has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $1,500,000. The line of credit bears interest at Royal Bank prime less 0.80% and is secured by an authorization letter from Manitoba Health and assignment of fire insurance covering property of every description.

In addition, the non-devolved facilities have approved operating lines of credit with various financial institutions for an aggregate of $295,000. The lines of credit bear interest at prime to prime plus 1% and are secured by authorization letters from Manitoba Health and general security agreements.

6. Long-term Debt

	2003	2002
Debenture payable	$ -	$ 110,000
Mortgages payable	3,674,520	10,058,772
Demand loans payable	3,365,508	16,572,902
Note payable	22,000,000	-
	29,040,028	26,741,674
Current portion of long-term debt	5,031,628	3,278,014
	$ 24,008,400	$ 23,463,660

The mortgages bear interest between 4.53% and 10.50%, mature on various dates on or before January, 2027 and require annual payments of principal and interest of $354,430.

The demand loans payable bear interest between prime less 0.80% and prime less 0.50%. The loans require monthly interest-only payments until the completion of the related construction project, at which point the repayment terms will be finalized.

The note payable bears interest at the average Canadian Dollar Offering Rate plus 0.25%, matures August 31, 2018 and requires annual principal payments of $1,427,027.

The mortgages payable are secured by Letters of Comfort from Manitoba Health. The demand loan payable and mortgages are also secured by land and buildings.

Principal payments due in the next five years are as follows:

2004	$ 5,031,628
2005	1,583,830
2006	1,592,689
2007	1,602,076
2008	1,612,027

7. Deferred Contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs and construction projects.

	2003	2002
Balance, beginning of year	$ 1,279,272	$ 1,102,424
Additional amount received during year	92,150	24,155
Less 2002/2003 expenditures	-	(80,954)
Transfers from (to) deferred contributions - capital assets	(59,476)	233,647
Balance, end of year	$ 1,311,946	$ 1,279,272

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or approved borrowing.

	2003	2002
Balance, beginning of year	$ 17,737,474	$ 17,766,565
Additional contributions received	2,769,873	1,542,392
Less amounts amortized to revenue	(1,655,511)	(1,571,483)
Balance, end of year	$ 18,851,836	$ 17,737,474

8. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2003	2002
Capital assets	$ 49,145,159	$ 45,127,309
Amounts financed by		
Deferred contributions	18,851,836	17,737,474
Loan and mortgage payable	29,040,028	26,741,674
	$ 1,253,295	$ 648,161

b) Change in net assets invested in capital assets is calculated as follows:

	2003	2002
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	$ 1,655,511	$ 1,571,483
Amortization of capital assets	(1,655,511)	(1,571,483)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets (net)	$ 5,673,361	$ 13,421,379
Amounts funded by		
Manitoba Health funding	(608,361)	(710,970)
Advances on long-term debt	(3,856,716)	(13,553,655)
Donations	(421,890)	(159,283)
Transfers		
Restricted assets	(120,964)	(57,104)
Unrestricted equity	-	31,260
Contract facilities	(820)	(750)
Deferred contributions - expenses of future periods (net)	(59,476)	128,817
Repayment of debentures, loans and mortgages	1,558,362	1,813,591
Manitoba Health debt service funding	(1,558,362)	(774,362)
	$ 605,134	$ 138,923

9. Revenue from Manitoba Health

		2003
Revenue from Manitoba Health		
Revenue as per Manitoba Health's final funding document		$ 44,763,391
Add:	Immunization receivable	89,588
	MGEU receivable	393,502
	CUPE receivable	38,880
	Pre-retirement leave	105,812
	Acute net off-set income	5,426
	Other in year adjustments - one-time funding	1,543,294
Deduct:	Medical remuneration surplus	(247,248)
	Residential charges	(200,877)
	Capital interest surplus	(3,460)
Total Funding Approved by Manitoba Health		46,488,308
Deduct:	Amounts recorded as deferred contributions	(2,166,724)
Revenue from Manitoba Health		$ 44,321,584

10. Commitments and Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2003, management believes the Authority has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2003.

The Authority's coverage also includes contract facilities as named insured parties.

10. Commitments and Contingencies (continued)

c) The Authority has entered into an operating leases with The Royal Bank of Canada for equipment. The Authority has approved lease financing available through Royal Bank Leasing Inc. to a maximum of $500,000 with $319,556 unutilized at March 31, 2003. The equipment is leased at a monthly cost of $3,416, under leases expiring on or before February 29, 2008. The minimum annual lease payments for the next five years are as follows:

2004	$	40,997
2005		40,997
2006		40,997
2007		40,997
2008		26,607

11. Pension Plan

Substantially all of the employees of the Authority are members of the Healthcare Employees Pension Plan (a successor of the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest eamings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5.0% of salary and 6.6% of salary over $39,900 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee's contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at January 1, 2002 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $909,791 (2002 - $1,249,531) and are included in the statement of operations.

The remainder of employees are members of the Province of Manitoba's defined benefit Civil Service Superannuation Plan. Liability for variances between actuarial funding estimates and actual experience lies with the Province.

12. Accrued Retirement Obligations

	Devolved Entities		Non-Devolved Entities		Total	
	2003	2002	2003	2002	2003	2002
Members of the Health Employees Pension Plan	$1,534,926	$1,585,850	$ 383,158	$ 406,315	$1,918,084	$1,992,165
Members of the Civil Service Superannuation Plan	296,300	260,700	-	-	296,300	260,700
	$1,831,226	$1,846,550	$ 383,158	$ 406,315	$2,214,384	$2,252,865

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- have ten years service and have reached the age of 55 or;
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or;
- retire at or after age 65 or;
- terminate employment at any time due to permanent disability

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service.
- 2 weeks of additional severance pay for each increment of five years service past the 15 years of service up to 35 years of service.

13. Subsequent Event

On May 30, 2003, the Authority signed a five year contract with QHR Software Group Inc. and leased a human resource management software for $125,000 with additional consulting fees of $125,000 to be paid by December 31, 2003. Subsequently, the Authority will be required to pay software maintenance fees of $20,400 annually.

14. Comparative Figures

Certain of the comparative figures for the year ended March 31, 2002 have been reclassified to provide better comparison with the current year's presentation. Opening Net Assets has been restated by $602,232 with a corresponding increase to Deferred Contributions (Expenses of future periods - $602,232) to properly reflect various reserve accounts previously included in Unrestricted Net Assets as Deferred Contributions. Excess of revenue over expenditures remains as previously reported.

SOUTH EASTMAN HEALTH/SANTE SUD-EST INC.

Consolidated Schedule of Financial Position

March 31			2003	2002
	Regional Health Authority	Contract Facilities	Consolidated Total	Consolidated Total
Current				
Cash and term deposits	$ 344,263	(173,049)	171,214	873,944
Accounts receivable	1,004,173	269,128	1,273,301	1,162,357
Due from Manitoba Health	181,622	-	181,622	303,319
Inventories	620,727	66,764	687,491	628,248
Prepaid expense	73,339	8,481	81,820	69,431
Due from (to) contract facilities	391,994	(391,994)	-	-
Deferred vacation entitlements	1,677,081	415,135	2,092,216	1,779,290
	4,293,199	194,465	4,487,664	4,816,589
Deferred retirement obligations	1,831,226	383,158	2,214,384	2,252,865
Restricted	310,095	-	310,095	480,425
Capital assets	36,768,231	12,376,928	49,145,159	45,127,309
	$ 43,202,751	12,954,551	56,157,302	52,677,188

Current				
Accounts payable and accrued liabilities	$ 1,328,950	170,018	1,498,968	3,320,993
Accrued vacation entitlements	1,677,081	415,135	2,092,216	1,779,290
Current portion of long-term debt	4,094,046	937,582	5,031,628	3,278,014
Unearned revenue	483,497	-	483,497	372,720
	7,583,574	1,522,735	9,106,309	8,751,017
Accrued retirement obligations	1,831,226	383,158	2,214,384	2,252,865
Long-term debt	14,755,344	9,253,056	24,008,400	23,463,660
Deferred Contributions				
Expenses of future period	1,166,109	145,837	1,311,946	1,279,272
Capital assets	17,247,755	1,604,081	18,851,836	17,737,474
	18,413,864	1,749,918	20,163,782	19,016,746
Net Assets				
Investment in capital assets	671,086	582,209	1,253,295	648,161
Externally restricted - Contract facilities	-	(536,525)	(536,525)	37,814
Externally restricted	310,095	-	310,095	480,425
Unrestricted	(362,438)	-	(362,438)	(1,973,500)
	618,743	45,684	664,427	(807,100)
	$ 43,202,751	12,954,551	56,157,302	52,677,188

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Schedule of Operations

For the year ended March 31							2003	2002
	Acute Care	Long-term Care	Community Health & Other Programs	Corporate Office	RHA Total	Contract Facilities	Consolidated Total	Consolidated Total
Revenue								
Province of Manitoba								
Health	$ -	-	-	37,245,471	37,245,471	7,076,113	44,321,584	38,025,453
Other	-	-	698,471	-	698,471	-	698,471	414,571
Government of Canada	-	-	269,816	-	269,816	-	269,816	199,464
Non-insured income	340,010	1,417,920	-	-	1,757,930	1,815,253	3,573,183	3,381,954
Other income and recovered services	88,780	-	170,640	499,593	759,013	93,544	852,557	857,644
Ambulance income	-	-	410,900	-	410,900	-	410,900	372,820
Amortization of deferred revenue contributions related to capital assets	908,260	247,769	-	311,766	1,467,795	187,716	1,655,511	1,571,483
	1,337,050	1,665,689	1,549,827	38,056,830	42,609,396	9,172,626	51,782,022	44,823,189
Expenditures								
Acute care services	13,603,862	-	-	-	13,603,862	-	13,603,862	12,189,691
Amortization of capital assets	908,260	247,769	-	311,766	1,467,795	187,716	1,655,511	1,571,483
Community based health services	-	-	3,674,255	-	3,674,255	-	3,674,255	3,566,917
Community based home care services	-	-	7,547,381	-	7,547,381	-	7,547,381	7,466,904
Community based mental health services	-	-	1,281,612	-	1,281,612	-	1,281,612	1,072,434
Interest on long-term debt	232,077	1,064,358	-	-	1,296,435	-	1,296,435	700,090
Labratory and X-ray	-	-	2,057,704	-	2,057,704	-	2,057,704	1,878,940
Land ambulance	-	-	996,888	-	996,888	-	996,888	916,601
Long-term care services	-	5,969,752	366,732	-	6,336,484	9,296,721	15,633,205	13,024,272
Medical remuneration	-	-	2,861,682	-	2,861,682	-	2,861,682	2,820,060
Regional Health Authority costs	-	-	-	834,099	834,099	-	834,099	797,096
	14,744,199	7,281,879	18,786,254	1,145,865	41,958,197	9,484,437	51,442,634	46,004,488
Excess (deficiency) of revenue over expenditures before other items	(13,407,149)	(5,616,190)	(17,236,427)	36,910,965	651,199	(311,811)	339,388	(1,181,299)
Other Items								
Manitoba Health								
Anticipated settlements - 2000/01	-	-	-	-	-	-	-	(23,505)
Prior year settlements	-	-	-	1,143,646	1,143,646	159,643	1,303,289	-
	-	-	-	1,143,646	1,143,646	159,643	1,303,289	(23,505)
Excess (deficiency) of revenue over expenditures for the year	$ (13,407,149)	(5,616,190)	(17,236,427)	38,054,611	1,794,845	(152,168)	1,642,677	(1,204,804)

WINNIPEG REGIONAL HEALTH AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
FINANCIAL STATEMENTS
MARCH 31, 2003

The accompanying financial statements are the responsibility of management and have been approved by the Authority. The financial statements were prepared in accordance with Canadian generally accepted accounting principles and of necessity include some amounts that are based on estimates and judgements.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

Deloitte & Touche LLP provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures, which allow them to report on the fairness of the financial statements prepared by management.

PAKochan

Dr. Brian D. Postl
President & Chief Executive Officer

Paul A. Kochan, FCA
Vice-President Finance & Corporate
Services and Chief Financial Officer

Deloitte & Touche LLP
360 Main Street, Suite 2300
Winnipeg, Manitoba R3C 3Z3
Canada

Tel: (204) 942 0051
Fax: (204) 947 9390
www.deloitte.ca

Deloitte
& Touche

AUDITORS' REPORT

To the Directors of
Winnipeg Regional Health Authority

We have audited the statement of financial position of Winnipeg Regional Health Authority (the "Authority") as at March 31, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
June 16, 2003

WINNIPEG REGIONAL HEALTH AUTHORITY
Statement of Financial Position
As at March 31, 2003
(in thousands of dollars)

	2003	2002 (Restated - Note 20)
ASSETS		
CURRENT		
Cash and marketable securities	$ 72,716	$ 64,298
Accounts receivable (Note 3)	55,151	44,858
Inventory	7,064	6,725
Prepaid expenses	2,544	4,356
Employee benefits recoverable from Manitoba Health	68,134	53,245
	205,609	173,482
CAPITAL ASSETS, net (Note 4)	292,313	283,151
OTHER ASSETS		
Future employee benefits recoverable from Manitoba Health	68,214	62,778
Cash held in trust for debt service by Manitoba Health	4,300	4,314
Sinking fund reserve (Note 6)	51,333	48,375
Specific purposes funds (Note 7)	31,322	26,911
Nurse recruitment and retention fund (Note 9)	7,106	6,635
Unamortized debenture issue costs	4	211
	$ 660,201	$ 605,857
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	$ 89,814	$ 82,585
Employee benefits payable	68,779	53,245
Current portion of long term debt (Note 6)	14,471	12,135
	173,064	147,965
LONG TERM DEBT AND DEFERRED CONTRIBUTIONS		
Long term debt (Note 6)	224,767	224,059
Future employee benefits payable	68,388	62,778
Specific purpose funds (Note 7)	31,322	26,911
Deferred contributions (Note 8)	135,542	119,739
Nurse recruitment and retention fund (Note 9)	7,106	6,635
	640,189	588,087
NET ASSETS	20,012	17,770
COMMITMENTS AND CONTINGENCIES (Note 11)		
	$ 660,201	$ 605,857

WINNIPEG REGIONAL HEALTH AUTHORITY

Statement of Operations

For the 12 months ended March 31, 2003
(in thousands of dollars)

	2003	2002 (Restated - Note 20)
REVENUE		
Manitoba Health operating income	$ 1,308,023	$ 1,177,069
Other income (Schedule 1)	35,054	30,305
Amortization of deferred contributions		
Capital assets	19,024	21,020
Future expenses	4,265	1,140
	1,366,366	1,229,534
EXPENSES		
Direct operations (Schedule 2)	630,279	597,389
Amortization of capital assets	19,095	21,047
Interest - long term	17,629	17,457
Increase in future employee benefits	20,326	13,654
	687,329	649,547
FACILITY FUNDING		
Acute care facility funding (Schedule 3)	472,194	449,596
Long term care facility funding (Schedule 4)	166,013	91,874
Community health agency funding (Schedule 5)	21,366	20,779
Adult day care facility funding (Schedule 6)	2,345	2,320
Long term care community therapy services	863	628
GRANT FUNDED		
Grants to facilities and agencies (Schedule 7)	16,210	14,291
	1,366,320	1,229,035
OPERATING SURPLUS	46	499
Add		
Non-insured services net revenue	2,196	1,971
NET SURPLUS	$ 2,242	$ 2,470

APPROVED BY THE BOARD

.... Director

.... Director

WINNIPEG REGIONAL HEALTH AUTHORITY

Statement of Changes in Net Assets

For the 12 months ended March 31, 2003
(in thousands of dollars)

	2003						2002
	Investment in Capital Assets (Note 10)	Unrestricted	Internally Restricted			Total	Restated (Note 20)
			Labour Relations Secretariat	Physician Recruitment	Total Internally Restricted		
Balance, beginning of year	$ 21,868	$ (5,441)	$ 139	$ 1,204	$ 1,343	$ 17,770	$ 15,580
Prior period adjustment: Manitoba Health recovery	-	-	-	-	-	-	(3,532)
Adjusted balance, beginning of year	21,868	(5,441)	139	1,204	1,343	17,770	12,048
Net surplus (deficit)	(1,590)	3,889	-	(57)	(57)	2,242	2,470
Purchase of capital assets	2,711	(2,711)	-	-	-	-	-
Transfer of Selkirk net assets (Note 19)	-	-	-	-	-	-	3,252
Balance, end of year	$ 22,989	$ (4,263)	$ 139	$ 1,147	$ 1,286	$ 20,012	$ 17,770

WINNIPEG REGIONAL HEALTH AUTHORITY
Statement of Cash Flows
For the 12 months ended March 31, 2003
(in thousands of dollars)

	2003	2002 (Restated - Note 20)
OPERATING ACTIVITIES		
Net surplus	$ 2,242	$ 2,470
Items not affecting cash		
Amortization of capital assets	23,225	24,929
Amortization of deferred contributions related to capital assets	(21,635)	(21,086)
Recognition of deferred contributions related to future expenses	(4,265)	(1,140)
Increase in future employee benefits revenue	(20,326)	(13,654)
Increase in future employee benefits expense	20,326	13,654
Amortization of debenture issue costs	207	15
	(226)	5,188
Changes in non-cash operating working capital items	(758)	14,594
Deferred contributions received - future expenses	11,954	4,841
	10,970	24,623
FINANCING ACTIVITIES		
Net change in sinking fund reserve	(2,958)	10,436
Deferred contributions received - capital assets	29,749	35,812
Increase (decrease) in long term debt	3,044	(16,613)
	29,835	29,635
INVESTING ACTIVITIES		
Acquisition of capital assets	(32,387)	(34,118)
	(32,387)	(34,118)
INCREASE	8,418	20,140
CASH AND MARKETABLE SECURITIES, BEGINNING OF YEAR	64,298	44,158
CASH AND MARKETABLE SECURITIES, END OF YEAR	$ 72,716	$ 64,298
Comprised of:		
Cash	$ 29,370	$ 18,408
Marketable securities	43,346	45,890
Total	$ 72,716	$ 64,298

1. NATURE OF BUSINESS

The Winnipeg Regional Health Authority ("the Authority") was established on December 1, 1999. The Authority provides community health services directly through its operations of Home Care, Mental Health and Public Health and provides acute care services through its Health Sciences Centre (HSC) and Deer Lodge Centre (DLC) sites. Acute care services are also provided by seven other urban hospitals (Concordia Hospital, Misericordia Health Centre, Riverview Health Centre, Inc., St. Boniface General Hospital, The Salvation Army Grace Hospital, Seven Oaks General Hospital, and Victoria General Hospital) ("the Hospitals"). Long term care, community health and other health services are delivered in the region through non-proprietary and proprietary personal care homes and community health agencies as well as through a number of non-profit organizations.

Effective April 1, 2002, the delivery of long term care services in the region was expanded to include proprietary personal care homes. In addition, the Authority assumed responsibility for funding the proprietary personal care homes outside of the region. Programming responsibility for these personal care homes remains with the appropriate rural regional health authorities.

Effective August 1, 2002, the assets and liabilities of the Deer Lodge Centre (DLC) were transferred to the Authority. The Board of Directors of DLC was dissolved and the net assets of DLC were integrated into the Authority. The financial statements of the Authority reflect the operations and financial position of the DLC for the years ended March 31, 2002 and 2003.

The Authority is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) The reporting entity

The scope of the Authority's operations are classified into these four distinct segments:

i. Direct Operations – Home Care services, Mental Health services, Public Health services, Primary Care services, Acute Care services (HSC & DLC sites).

ii. Acute Care services – provided through the seven other hospitals by means of operating agreements.

iii. Long Term Care and Community Health services – provided through non-proprietary and proprietary personal care homes and community health agencies by means of service purchase agreements.

iv. Other Health services – provided through various agencies by means of grant funding mechanisms.

The seven Acute Care hospitals in (ii) are non-consolidated controlled entities. A financial summary of these non-consolidated controlled entities is provided in Note 14.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Definition of controlled entity

Effective April 1, 1998, the Authority became the majority funder of the Hospitals. The Hospitals act as the Authority's agents in providing health care services mandated by the Province of Manitoba. These health care services are delivered under the control of the Authority from an accounting perspective. This determination of control is based largely on the fact that the Hospitals' purpose is integrated with that of the WRHA such that the Hospitals and the WRHA have common and complementary objectives. Moreover, due to the existence of operating agreements between the Authority and the Hospitals, the WRHA has the power to determine the strategic operating, investing and financing policies of the Hospitals. As permitted by Canadian generally accepted accounting principles, Hospitals have not been consolidated into the Authority's financial statements. Note 14 provides a financial summary of these controlled non-consolidated entities.

c) Revenue recognition

The Authority follows the deferral method of accounting for contributions:

i. Operating contributions – recorded as revenue in the period to which they relate.

ii. Unrestricted contributions – recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

iii. Externally restricted contributions – recognized as revenue in the year in which the related expenses are recognized.

iv. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

v. Contributions approved but not received at the end of an accounting period are accrued. Where a portion of a contribution relates to a future period, it is deferred and recognized in that subsequent period.

The Authority is funded by the Province of Manitoba using Manitoba Health funding mechanisms. These financial statements use funding mechanisms approved by Manitoba Health for the year ended March 31, 2003.

d) Investments

Investments in marketable securities are recorded at cost. Market value of the investments at March 31, 2003 is $43,501 (cost - $43,346), March 31, 2002 - $46,043 (cost $45,890).

e) Medical, drugs and other supplies

Medical, drugs and other supplies are valued at cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Linen and bedding inventory

Linen and bedding inventory is recorded at cost and expensed when put into usage.

g) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis using an annual rate of:

Buildings	2.5%
Improvements to land & buildings	4-20%
Equipment	10-33%
Computer hardware/software	20%
Furniture	10%
Leasehold improvements	over the life of the lease
Facility upgrades	5%
Start-up costs	33 1/3%

h) Debenture issue costs

Debenture issue costs are amortized over the term of the debentures.

i) Financial instruments

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Authority's accounts receivable are comprised mostly of amounts due from the Government of Manitoba, which minimizes credit risk.

Interest rate risk

Interest rate risk is the risk arising from fluctuations in short term interest rates and the volatility of those rates. The Authority mitigates this risk by retaining the option to convert all floating rate borrowings to fixed rate borrowings.

Fair value

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of the fair values because of the short maturity of those instruments. Short-term financial assets are comprised of cash and marketable securities, accounts receivable and employee benefits recoverable from Manitoba Health. Short-term financial liabilities are comprised of accounts payable and accrued liabilities, employee benefits payable and current portion of long term debt.

The fair value of the long term asset Future employee benefits recoverable from Manitoba Health and the long term liability Future employee benefits payable could not be determined because there are no specific terms of repayment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Retirement entitlement obligations

The Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan is to pay out four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

i) have ten years service and have reached the age 55 or
ii) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
iii) retire at of after age 65
iv) terminate employment at any time due to permanent disability

The Authority's contractual commitment based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service.
- 2 weeks of additional severance pay for each increment of five years past the 15 years of service up to 35 years of service.

Funding for the retirement obligation is recoverable from Manitoba Health on an out of globe basis in the year of payment.

k) Employee benefits

The Authority records a provision for employee benefits including accrued vacation and accrued overtime entitlements.

Funding for employee benefits is recoverable from Manitoba Health as a component of salary costs in the period in which the expenditures are made. Accordingly, the cost of the estimated accrued vacation pay overtime entitlement obligations at year-end is deferred to enable an appropriate matching of expenses with the funding secured in subsequent years.

l) Surplus retention and use policy – Acute care operations and controlled entities

50% of the insured services operating surplus for the current fiscal year is recorded on the Statement of Financial Position as Deferred Contributions. The Authority will confirm the approved amount of the retainable surplus when the Authority reviews the audited financial statements of its Controlled Entities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Due to/from Manitoba Health

Any operating surplus related to Out of Globe funding arrangements or operating surpluses greater than 2% of budget related to In Globe funding arrangements for the year is carried on the statement of financial position as a payable due to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the WRHA or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is carried on the statement of financial position as a receivable from Manitoba Health until Manitoba Health reviews the financial statements. At that time Manitoba Health submits their final funding approvals which indicate the portion of the deficit that will be paid to the WRHA. Any unapproved costs not paid by Manitoba Health are paid by the WRHA.

3. ACCOUNTS RECEIVABLE

	2003	2002
Manitoba Health		
Operating and Capital	$ 26,631	$ 29,603
Nurse Recruitment and Retention Fund	848	1,282
	27,479	30,885
Other	27,672	13,973
	$ 55,151	$ 44,858

4. CAPITAL ASSETS

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 4,650	$ -	$ 4,650	$ 4,650
Buildings	306,184	112,294	193,890	191,229
Improvements to land & buildings	4,882	2,347	2,535	2,430
Equipment	257,371	205,391	51,980	48,925
Computer hardware	6,050	2,870	3,180	2,313
Computer software	1,172	579	593	681
Furniture	2,840	1,048	1,792	1,389
Leasehold improvements	2,901	662	2,239	3,141
Facility upgrades	5,085	833	4,252	4,328
Construction in progress	27,191	-	27,191	24,053
Start-up costs	2,837	2,826	11	12
	$ 621,163	$ 328,850	$ 292,313	$ 283,151

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2003	2002 (Restated – Note 20)
Accounts payable and accrued liabilities	$ 62,272	$ 57,841
Accrued salaries	23,715	20,750
Accrued interest on long term debt	3,457	3,462
Holdbacks on construction contracts	370	532
	$ 89,814	$ 82,585

6. LONG-TERM DEBT

a) Bank loans payable consist of the following:

	2003	2002
Demand bank loans for capital projects in anticipation of the future issuance of long-term debt by Manitoba Health, 2.69% revolving 60 days.	$ 15,681	$ 18,051
Bank loan, prime less 0.8%	3,645	3,300
Banker's acceptances, supported by specific borrowing resolution incorporating an assignment of monies payable by the Governments of Canada or Manitoba:		
Interest at 2.67%, maturing April 16, 2002	-	1,800
Interest at 3.06%, maturing April 23, 2003	1,500	-
Operating credit line demand instalment loans:		
Interest at prime less 0.8%, maturing January 17, 2008	69	-
Interest at prime less 0.8%, maturing January 17, 2008	464	-
Bank loan, prime less 0.5%	-	304
Bank loan, interest as determined annually by Manitoba Health	48	67
Bank loan, prime less 0.5%	-	555
Bank loan, prime less 0.5%	-	34
Bank loan, interest as determined annually by Manitoba Health	-	8
	$ 21,407	$ 24,119

6. LONG-TERM DEBT (continued)

b) Debentures payable consist of the following:

	2003	2002
13 5/8% Debenture dated November 15, 1984 maturing 2004, annual payments of $42 (fair value $74)	$ 55	$ 97
13.40% Sinking fund debenture maturing 2004, annual payments of $1,100	50,000	50,000
10.00% Sinking fund debenture maturing 2011, annual payments of $625	25,000	25,000
Floating rate debenture maturing 2013, annual payments of $1,430 (fair value $15,256)	15,256	-
Floating rate debenture maturing 2013, annual payments of $69 (fair value $744)	744	-
6.40% Debenture maturing 2016, annual payments of $5,333 (fair value $76,137)	71,111	76,444
6.50% Debenture maturing 2014, annual payments of $2,143 (fair value $26,632)	25,000	27,143
	$ 187,166	$ 178,684

c) Mortgages payable consist of the following:

	2003	2002
8.25% Mortgage, maturing 2017 Emily Street Parkade (fair value $10,965)	$ 10,593	$ 11,111
6.88% Mortgage maturing 2020, Harry Medovy House (paid out early)	-	524
6.47% Mortgage, maturing 2004, William Avenue Parkade (fair value $425)	402	743
7.38% Mortgage payable, maturing 2018 Nutrition & Food Services (fair value $19,353)	17,347	17,933

6. LONG-TERM DEBT (continued)

c) Mortgages payable (continued)

	2003	2002
7.04% Mortgage payable, maturing 2006 Nutrition & Food Services (fair value $2,231)	2,178	2,697
6.86% Mortgage payable, maturing 2003 Nutrition & Food Services (fair value $146)	145	383
	$ 30,665	$ 33,391
Less amounts due within one year, included in current liabilities	(14,471)	(12,135)
	$ 224,767	$ 224,059

At March 31, 2003 the carrying value of the sinking fund reserves and accumulated interest aggregated $51,333 (March 31, 2002 - $48,375). Annual payments are made by the Authority/Manitoba Health from cash held in trust. The aggregate balance in the sinking fund reserves for all debentures will be sufficient to retire the associated sinking fund debentures at maturity.

The fair value of long term debt at March 31, 2003 has been calculated using discounted cash flow analysis based on incremental borrowing rates currently available for similar terms and maturities.

The fair value of the bank loans payable could not be determined because there are no specific terms of repayment.

Certain of the long-term debt instruments contain various restrictive covenants.

d) The principal repayments over the next five years are as follows:

2004	$ 14,471
2005	61,536
2006	11,561
2007	11,411
2008	11,118

7. SPECIFIC PURPOSE FUNDS

Cash and investments held for specific purposes include the following:

	2003	2002
Cash and marketable securities, at cost	$ 31,322	$ 26,911

The Authority maintains numerous research, trust and clearing accounts designated for specific purposes. An analysis of the changes in funds designated for specific purposes is as follows:

	2003	2002
Balance, beginning of year	$ 26,911	$ 23,758
Grants, bequests and donations	17,509	16,179
Investment income	1,935	1,581
Disbursements	(15,033)	(14,607)
Balance, end of year	$ 31,322	$ 26,911

Certain of the funds designated for specific purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact, or that the principal be used for specifically stated purposes.

8. DEFERRED CONTRIBUTIONS

		2003		2002
Deferred contributions, future expenses	$	28,116	$	20,427
Deferred contributions, capital		107,426		99,312
Deferred contributions, total	$	135,542	$	119,739

a) Deferred contributions, future expenses

Deferred contributions related to future expenses represent the unspent amount of funding received for the Authority's operating expenses. The amortization of deferred contributions, future expenses is recorded as revenue in the statement of operations.

		2003		2002
Balance, beginning of year	$	20,427	$	16,919
Amount received during the year		11,954		4,841
Less amount recognized as revenue in the year		(4,265)		(1,140)
Less: reclassification		-		(193)
Balance, end of year	$	28,116	$	20,427

b) Deferred contributions, capital

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of funding received for the purchase of the Authority's capital assets. The amortization of deferred contributions, capital is recorded as revenue in the statement of operations.

		2003		2002
Balance, beginning of year	$	99,312	$	80,826
Contributions received		29,749		35,812
Amounts amortized to revenue – Programs		(19,024)		(21,020)
Amounts amortized to revenue – Ancillary operations		(2,611)		(66)
Add: reclassification		-		193
Add: prior year reclassification (Note 20)		-		3,567
Balance, end of year	$	107,426	$	99,312

9. NURSE RECRUITMENT AND RETENTION FUND

In 2000, Manitoba Health had established a $7 million Nurse Recruitment and Retention Fund in order to assist with the implementation of recruitment and retention strategies for nurses throughout Manitoba. The Authority holds, invests and disburses funds on behalf of the Nurse Recruitment and Retention Committee. The Fund is administered by a tri-partite committee comprised of the Regional Health Authorities of Manitoba, Manitoba Health, and the Manitoba Nurses Union. The Authority can only disburse funds authorized by the Committee.

	2003	2002
Balance, beginning of year	$ 6,635	$ 6,022
Additions to fund	2,175	2,469
Interest earned on investment	194	248
Fund expenditures	(1,898)	(2,104)
Balance, end of year	$ 7,106	$ 6,635

10. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	2003	2002
Capital assets	$ 265,111	$ 255,650
Startup costs	11	12
Construction and other projects in progress	27,191	27,489
	292,313	283,151
Amounts financed by:		
Sinking fund	51,333	48,375
Cash held in trust by Manitoba Health for debt service	4,300	4,314
Deferred contributions	(107,426)	(99,312)
Loans and accounts payable	(217,531)	(214,660)
Investment in Capital Assets	$ 22,989	$ 21,868

10. INVESTMENT IN CAPITAL ASSETS (continued)

Change in net assets invested in capital assets is calculated as follows:

	2003	2002
a) Excess of expenses over revenues		
Amortization of capital assets included in programs	$ (19,095)	$ (21,047)
Amortization of capital assets included in ancillary operations	(4,130)	(3,882)
Amortization of deferred contributions related to capital assets included in programs	19,024	21,020
Amortization of deferred contributions related to capital assets included in ancillary operations	2,611	66
	$ (1,590)	$ (3,843)
b) Purchase of capital assets	$ 32,387	$ 34,118
Transferring of capital assets	-	3,567
Amounts funded by:		
Increase/(decrease)		
Increase in capital contributions receivable	73	2,524
Capital contributions received	(29,749)	(34,270)
	$ 2,711	$ 5,939
Change in net assets	$ 1,121	$ 2,096

11. COMMITMENTS AND CONTINGENCIES

a) The Authority is subject to legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse affect on the financial position of the Authority.

b) At March 31, 2003, minimum annual lease payments of the Authority under the operating lease for the premises at 155 Carlton Street expiring May 31, 2009 are $508 and aggregate $3,133.

c) At March 31, 2003, the Authority had capital commitments of approximately $87,222 (Mar 31, 2002 - $2,316) and equipment purchase commitments of approximately $12,657 (Mar 31, 2002 - $4,776).

d) Acute Care Operations has entered into various operating lease commitments. The minimum amounts payable over the next five years are as follows:

2004	$ 2,732
2005	1,992
2006	1,321
2007	787
2008	446

12. HIROC

On July 1, 1987, a group of health care organizations ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal under provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2003.

13. ECONOMIC DEPENDENCE

The Authority received approximately 98% of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for continued operations.

14. CONTROLLED ENTITIES INFORMATION

A financial summary of the seven urban hospitals, which have not been consolidated, with the accounts of the Authority is as follows:

Financial Position:

	2003	2002
Assets	$ 538,693	$ 532,542
Liabilities	497,886	483,158
Total Net Assets	$ 40,807	$ 49,384

Results of operations:

	2003	2002
Total Revenues	$ 531,755	$ 493,329
Total Expenses	533,119	492,126
(Deficit) Surplus from Operations	$ (1,364)	$ 1,203

Ancillary operations:

	2003	2002
Total Revenues	$ 26,941	$ 28,650
Total Expenses	24,748	26,749
Surplus from ancillary operations	$ 2,193	$ 1,901

Other:

	2003	2002
Surplus refundable to WRHA	(622)	(749)
Prior years' deficit/(funding recovery) support	1,572	231
Total other	$ 950	$ (518)
Net surplus	$ 1,779	$ 2,586

Cash flows:

	2003	2002
From operating activities	$ 4,089	$ 18,426
Cash used for financing & investing	(9,440)	(11,962)
(Decrease) Increase in cash	$ (5,351)	$ 6,464

15. RELATED PARTY TRANSACTIONS

The Authority is responsible for the overall management of health care services provided in the Winnipeg Health Region. Programs are delivered in the region by the Authority through its direct service operations, by Hospitals through operating agreements, by proprietary and non-proprietary personal care homes and community health agencies through service purchase agreements as well as through a number of non-profit organizations through grant funding mechanisms. The Authority transacts business on a regular basis with the organizations and agencies described in Notes 1 and 2b.

16. RELATED ENTITIES

The Authority has an economic interest in the Health Sciences Centre Foundation Inc. (HSCF), the Children's Hospital Foundation of Manitoba Inc. (CHFM), and the Deer Lodge Centre Foundation Inc. (DLCF). The financial statements of the foundations have not been included in these statements.

These foundations are incorporated under the Corporations Act of Manitoba and are registered charities for the purposes of the Income Tax Act and accordingly exempt from income taxes. The foundations' aims and objectives are to raise, invest and allocate funds for research projects through a number of institutions.

During the year $196 (2002 - $45) in funds were distributed through Health Sciences Centre. HSCF also administers payments to medical researchers that work at Health Sciences Centre on a fee for service basis. The fees paid to HSCF during the year by Health Sciences Centre for this service amounted to $19 (2002 - $9).

During the year, CHFM contributed $613 (2002 - $459) to Health Sciences Centre to assist with activities at the Children's Hospital.

During the year, DLCF contributed $280 (2002 - $508) to Deer Lodge Centre to assist with the library, operating activities, and research at Deer Lodge Centre.

17. EMPLOYEE FUTURE BENEFITS

a) Accrued retirement entitlement

The Authority undertook an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.5% and a rate of salary increase of 4.0% plus age related merit/promotion scale with no provision for disability.

b) Pension plan

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee's contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2002, indicates that the plan is fully funded. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $14,136 (2002 - $12,664) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

18. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

19. ACQUISITIONS

a) Selkirk Laundry & Linen

On April 30, 2001, the Authority acquired 100% of the assets of Selkirk Laundry & Linen from the Interlake Regional Health Authority. No purchase price was paid for this entity.

Net assets acquired		
Current assets	$	1,240
Capital assets		3,567
Current liabilities		(478)
Long term liabilities		(1,077)
Total net assets	$	3,252

The acquisition was accounted for as an increase in Net Assets. The results of operations are included in the financial statements from the effective date of the acquisition of April 30, 2001.

b) Pan Am Clinic

On September 14, 2001, the Authority acquired substantially all of the assets of Poseidon Enterprises Ltd. and the Pan Am Surgical Centre.

Net assets acquired, at fair value		
Current assets	$	62
Capital asets		3,374
Total net assets	$	3,436

Consideration given		
Cash	$	3,436

The acquisition was accounted for by the purchase method. The results of operations are included in the financial statements from the effective date of the acquisition of September 14, 2001. One contingent future payment in the amount of $200 remains for 2003/04.

20. RESTATEMENT OF PRIOR PERIODS

During the year, the Authority modified its method of accounting for accrued retirement obligations, accrued vacation obligations, and accrued overtime obligations at the request of Manitoba Health. The prior year comparative numbers have been retroactively restated to account for the change. The net effect of the restatement for the year ended March 31, 2002 is to increase Manitoba Health income by $13,654 and to increase future employee benefits expense by $ 13,654.

In addition, unrestricted net assets was reduced and accounts payable was increased by $3,532 to reflect a recent decision by Manitoba Health to hold back current year funding in order to recover the 1998/99 Winnipeg Hospital Authority surplus. This amount had been previously received from Manitoba Health and had been accounted for as retainable operating surplus.

Internally restricted net assets related to regional shared services and acute care operations were reclassified as unrestricted as no board resolutions support their restriction.

The prior year financial statements were corrected to reflect a reclassification between net assets and deferred contributions in the amount of $3,567.

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 1 - Other Income
For the 12 months ended March 31, 2003
(in thousands of dollars)

	2003	2002
Separately funded primary health programs	$ 4,769	$ 4,892
Other income (patient income, external recoveries, etc.)	30,285	25,413
Total	$ 35,054	$ 30,305

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 2 - Direct Operations Expenses

For the 12 months ended March 31, 2003
(in thousands of dollars)

	2003	%	2002	%
Regional Health Authority undistributed expenses	$ 16,652	2.6%	$ 13,964	2.3%
Acute care operations	373,310	59.4%	359,625	60.3%
Acute care medical remuneration	88,314	14.0%	84,206	14.1%
Community based home care services	113,751	18.0%	109,754	18.4%
Community based mental health services	6,431	1.0%	5,459	0.9%
Community based long term care services	10,896	1.7%	5,747	1.0%
Community based primary health services	12,300	2.0%	12,214	2.0%
Separately funded primary health programs	5,215	0.8%	3,825	0.6%
Adult day care	154	0.0%	156	0.0%
Aboriginal services and strategies	1,377	0.2%	1,029	0.2%
Special initiatives and other one-time costs	1,879	0.3%	1,410	0.2%
Total	$ 630,279	100.0%	$ 597,389	100.0%

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 3 - Acute Care Facility Funding

For the 12 months ended March 31, 2003
(in thousands of dollars)

	2003	2002
Concordia Hospital	$ 38,717	$ 35,906
Grace General Hospital	58,055	55,714
Manitoba Adolescent Treatment Centre	7,491	7,327
Misericordia Health Centre	29,002	27,222
Riverview Health Centre	34,074	32,742
Seven Oaks General Hospital	57,435	51,925
St. Boniface General Hospital	196,899	191,350
Victoria General Hospital	50,521	47,410
Total	$ 472,194	$ 449,596

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 4 - Long Term Care Facility Funding

For the 12 months ended March 31, 2003
(in thousands of dollars)

	2003	2002
Non-Proprietary Personal Care Homes		
Bethania	$ 5,272	$ 5,095
Calvary Place	4,108	4,119
Concordia	5,407	5,327
Convalescent Home	2,162	2,087
Donwood Manor	4,021	3,647
Foyer Valade	3,515	3,436
Fred Douglas	4,117	3,900
Golden Links	2,600	2,580
Golden West	3,186	3,074
Holy Family	8,658	8,509
Lions Manor	3,543	3,574
Luther Home	2,513	2,295
Meadowood	2,373	2,279
Middlechurch	6,218	5,892
Misericordia Place	3,389	3,405
Park Manor	3,006	3,001
Pembina Place (formerly Deaf Centre)	1,983	2,000
Sharon Home	7,803	7,216
St. Joseph's	2,978	2,890
Tache	12,007	11,257
West Park	3,755	3,656
Supportive Housing	2,376	2,297
Miscellaneous Funding Adjustments	399	338
Total	$ 95,389	$ 91,874
Proprietary Personal Care Homes		
Beacon Hill	$ 5,815	$ -
CPL Parkview	9,046	-
CPL Poseiden	6,754	-
Charleswood Care Centre	4,804	-
Fort Gary Care Centre	2,016	-
Golden Door	2,552	-
Heritage Lodge	2,741	-
Kildonan	4,512	-
Maples	6,848	-
Oakview Place	7,444	-
River East	4,453	-
St. Norbert	2,903	-
Tuxedo Villa	6,002	-
Vista Park Lodge	3,379	-
Miscellaneous Funding Adjustments	429	-
Total	$ 69,698	$ -
Rural Proprietary Personal Care Homes		
CPL Brandon	$ 176	$ -
Hillcrest Place	169	-
Red River Place	270	-
St. Adolphe	115	-
Tudor House	196	-
Total	$ 926	$ -
Total	$ 166,013	$ 91,874

The facility funding reported on the schedule reflects approximately 70% of the personal care homes total annual budget. The remainder of the budget is funded directly by the facility through Residential Charges.

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 5 - Community Health Agency Funding

For the 12 months ended March 31, 2003
(in thousands of dollars)

	2003	2002
Health Action Centre	$ 2,397	$ 2,344
Hope Centre	670	733
Klinic	3,276	3,167
Main Street Project	1,270	1,264
MFL Occupational Health	527	617
Mount Carmel Clinic	5,309	4,752
Nor'West Co-op	856	835
Rehab Centre	1,977	1,823
Village Clinic	1,460	1,413
Women's Health Centre	1,273	1,162
Youville Clinic	1,800	1,782
Sexuality Education Resource Centre	500	485
Miscellaneous Funding Adjustments	51	402
Total	$ 21,366	$ 20,779

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 6 - Adult Day Care Facility Funding

For the 12 months ended March 31, 2003
(in thousands of dollars)

	2003	2002
Convalescent Home	$ 31	$ 31
Fred Douglas	138	138
Golden Links	43	43
Golden West	122	121
Holy Family	141	141
Independent Living Resource Centre	88	88
Lions Manor	137	137
Lions Place - Charleswood	241	233
Lions Place - Concordia	164	164
Lions Place - 610 Portage	197	190
Luther Home	70	70
Middlechurch	144	144
Oakview Place	118	110
Park Manor	89	89
Riverview Health Centre	148	148
Sharon Home	49	49
South YM/YWCA	131	131
Tache	294	293
Total	$ 2,345	$ 2,320

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 7 - Grants to Facilities and Agencies
For the 12 months ended March 31, 2003
(in thousands of dollars)

	2003	2002
Age & Opportunity Centre Inc.	$ 527	$ 571
AGR Health Services to Seniors	176	176
Bethel Place	34	30
Bluebird Service Club	10	7
Bonivital Council for Seniors	35	29
Broadway Seniors Resource Council Inc.	35	30
Brooklands/Weston Community Resource	35	29
Canadian Mental Health Association	913	864
Charleswood Senior Centre	3	5
Chez Nous Inc.	17	11
City of Winnipeg - Emergency Services	4,479	4,479
Clubhouse of Winnipeg Inc.	357	357
Columbus Manor	17	11
Community Therapy Services	178	178
Creative Retirement Manitoba	32	27
Fort Garry Services Inc.	17	11
Foyer Vincent Inc.	17	12
Friendly Neighbour Council	35	29
Friends Housing Inc.	71	70
Good Neighbours Senior Centre Inc.	32	32
Gwen Secter Creative Living Centre	42	39
Jewish Child and Family	29	29
Jocelyn House	70	70
Kingsford Haus Co-op Ltd.	10	7
L'Accueil Colombien Inc.	16	13
Lions Club	33	27
Manitoba Association of Multipurpose Senior Centres	2	2
Manitoba Cardiac Institute (Reh-fit)	630	630
Manitoba Eastern Star Chalet	10	7
Manitoba Housing Authority	293	237
MacDonald Youth Services	329	422
Meals on Wheels of Winnipeg Inc.	141	141
Metropolitan Kiwanis Courts	17	11
Middlechurch Home of Winnipeg	41	31
North Winnipeg Community Council	35	32
Pembina Place (formerly Deaf Centre Manitoba Inc.)	33	25
River East Council for Seniors	45	36
Rose & Max Rady Jewish Community Centre	16	16
Ruperts Land Caregiver Services	35	29
S.S.C.O.P.E. Incorporated	101	91
Salvation Army	1,893	1,856
Sara Riel Inc.	1,515	1,500
Seniors Home Help Inc.	64	48
Seneca House	314	260
Serena Manitoba Inc.	11	11
Seven Oaks Wellness Centre	462	319
Society for Manitobans with Disabilities	1,147	-
South Winnipeg Senior Resource Council Inc.	35	33
St. Amant Centre	13	13
St. James/Assiniboia Senior Centre Inc.	82	116
Stay Young Centre	16	16
Ten Ten Sinclair Housing Inc.	892	892
Transcona Council for Seniors	39	31
University of Manitoba	30	30
University of Manitoba - Library Services	400	-
Villa Cabrini Inc.	33	22
Villa Nova	10	7
Villa Tache	27	20
Villa Vita Inc.	39	25
Wolseley Family Centre	86	87
YW/YMCA of Winnipeg	154	152
Total	$ 16,210	$ 14,291

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations By Nature of Expense

For the 12 months ended March 31, 2003
(unaudited)
(in thousands of dollars)

	2003	2002
REVENUE		
Manitoba Health operating income	$ 1,318,145	$ 1,177,069
Other government revenue	2,049	1,989
Radiology fee for service	6,419	3,606
Patient services (includes patient and resident income)	14,486	15,346
Amortization of deferred contributions	43,448	45,960
Other Revenue	51,493	33,541
Total Revenue	1,436,040	1,277,511
EXPENSES		
Salaries & Wages	753,297	699,422
Medical remuneration	89,964	86,485
Printing, Stationery & Office Supplies	7,932	7,198
Housekeeping, laundry and linen	8,666	8,241
Utilities, insurance and taxes	21,241	20,674
Food and dietary supplies	9,680	9,338
Medical and surgical supplies	66,483	59,022
Pharmaceutical supplies	50,866	43,328
Diagnostic, chemical, and lab supplies	15,611	14,647
Miscellaneous and other	38,851	38,305
Repairs and maintenance	24,425	24,222
Referred out services	40,900	38,894
Radiology fee for service costs	6,020	4,594
Interest	31,511	32,421
Amortization of capital assets	43,687	45,053
Change in Future Employee Benefits	20,326	13,654
Non-acute care facility and grant funding	206,798	130,048
Total Operating Costs	1,436,258	1,275,546
(DEFICIT) SURPLUS FROM OPERATIONS	(218)	1,965
ANCILLARY AND OTHER RESTRICTED OPERATIONS		
Ancillary operations income	78,669	75,246
Ancillary operations expenses	74,281	71,483
Surplus from Ancillary Operations	4,388	3,763
PRIOR YEAR DEFICIT SUPPORT	1,572	306
SURPLUS REFUNDABLE TO WRHA	(2,553)	(1,013)
SURPLUS FOR THE YEAR	$ 3,189	$ 5,021

Note: The amounts reported on this schedule reflect the consolidated financial results of the Authority and the other acute care facilities funded by the Authority through operating agreements.

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations
By Program

For the 12 months ended March 31, 2003
(unaudited)
(in thousands of dollars)

	2003	2002
REVENUE		
Manitoba Health operating income	$ 1,318,145	$ 1,177,069
Other government revenue	2,049	1,989
Radiology fee for service	6,419	3,606
Patient services (includes patient and resident income)	14,486	15,346
Amortization of deferred contributions	43,448	45,960
Other Revenue	51,493	33,541
Total Revenue	1,436,040	1,277,511
EXPENSES		
Program costs		
Anaesthesia	6,024	5,726
Child Health	60,051	54,436
Child Adolescent & Mental Health	4,405	-
Critical care	37,753	36,552
Diagnostic imaging	42,038	39,973
Diagnostic imaging - Radiology Fee for Service	2,529	-
Emergency	40,206	36,863
Family medicine	38,457	35,974
Health Links	985	-
Laboratories	47,596	45,624
Medicine	70,451	62,378
Dialysis	35,441	31,985
Mental Health	25,259	24,029
Oncology	11,077	10,741
Psychogeriatrics	3,315	3,157
Psychology	2,543	2,381
Rehab/Geriatrics	46,649	43,881
Surgery	135,983	129,135
Women's health	39,390	38,111
Long term care	36,412	29,572
Residents and interns	16,069	17,413
Other diagnostic & therapeutic services	20,950	24,085
Pharmacy	26,435	20,341
Community based home care services	107,693	110,279
Community based mental health services	6,191	5,485
Community based primary health services	19,170	13,032
Separately funded primary health programs	4,920	2,402
	$ 887,992	$ 823,555

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations By Program (continued)
For the 12 months ended March 31, 2003
(unaudited)
(in thousands of dollars)

	2003	2002
Indirect service costs		
Administrative and support services	$ 34,111	$ 34,117
Clinical and non-clinical support services	62,318	55,796
Information services	11,831	12,498
Facility services	101,863	100,391
Research and education services	4,946	4,716
	215,069	207,518
Other costs		
Regional Health Authority costs	16,652	14,642
Non-acute care facility and grant funding	206,798	130,048
Aboriginal Services & Strategies	1,377	1,029
Special services	678	1,410
Other costs	8,255	2,498
Pre-retirement	3,913	3,718
Interest	31,511	32,421
Amortization of capital assets	43,687	45,053
Change in Future Employee Benefits	20,326	13,654
	333,197	244,473
Total operating expenses	1,436,258	1,275,546
(DEFICIT) SURPLUS FROM OPERATIONS	(218)	1,965
ANCILLARY AND OTHER RESTRICTED OPERATIONS		
Ancillary operations income	78,669	75,246
Ancillary operations expenses	74,281	71,483
Surplus from Ancillary Operations	4,388	3,763
PRIOR YEAR DEFICIT SUPPORT	1,572	306
SURPLUS REFUNDABLE TO WRHA	(2,553)	(1,013)
SURPLUS FOR THE YEAR	$ 3,189	$ 5,021

Note: The amounts reported on this schedule reflect the consolidated financial results of the Authority, (including HSC) and the other acute care facilities funded by the Authority through an operating agreement.

Deloitte & Touche LLP
360 Main Street, Suite 2300
Winnipeg, Manitoba R3C 3Z3
Canada

Tel: (204) 942 0051
Fax: (204) 947 9390
www.deloitte.ca

**Deloitte
& Touche**

AUDITORS' REPORT

To the Board of Directors of
Rehabilitation Centre For Children, Inc.

We have audited the statement of financial position of the Rehabilitation Centre For Children, Inc. as at March 31, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

Winnipeg, Manitoba
May 8, 2003

REHABILITATION CENTRE FOR CHILDREN, INC.

Statement of Financial Position

March 31, 2003

	2003	2002
ASSETS		
CURRENT		
Cash	$ 260,257	$ 114,007
Accounts receivable (Note 3)	472,143	463,770
Inventory	180,376	144,090
Prepaid expenses	3,381	2,558
Deferred charges - vacation pay (Note 2d)	161,267	156,256
	1,077,424	880,681
RESTRICTED CASH (Note 8a)	18,517	21,256
DEFERRED CHARGES - EMPLOYEE FUTURE BENEFITS (Note 2d)	131,412	248,637
CAPITAL ASSETS (Note 4)	167,382	130,321
	$ 1,394,735	$ 1,280,895
LIABILITIES		
CURRENT		
Accounts payable	$ 314,785	$ 213,706
Accrued vacation pay (Note 2d)	161,267	156,256
	476,052	369,962
ACCRUED EMPLOYEE FUTURE BENEFITS (Note 2d)	288,243	248,637
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 5)	154,821	140,873
	919,116	759,472
NET ASSETS		
Invested in capital assets (Note 8a)	31,078	10,704
Restricted (Note 9)	86,710	46,411
Unrestricted	357,831	464,308
	475,619	521,423
	$ 1,394,735	$ 1,280,895

APPROVED BY THE BOARD

...Dale Brownlee........ Director

....JEdwards................ Director

REHABILITATION CENTRE FOR CHILDREN, INC.

Statement of Operations

Year Ended March 31, 2003

	2003	2002
REVENUE		
Patient services - Winnipeg Regional Health Authority	$ 1,958,806	$ 1,844,644
Sales of orthotics and prosthetics	473,882	486,571
Restricted donations		
Variety Club of Manitoba Tent 58	19,357	56,986
Rehabilitation Centre for Children Foundation Incorporated	16,342	28,576
Sales of assistive devices	110,291	133,244
School therapy program	888,381	813,698
Provincial Outreach Therapy for Children program	351,194	288,596
Miscellaneous	83,477	79,693
	3,901,730	3,732,008
EXPENSES		
Salaries	1,740,870	1,653,510
Employee benefits and costs	302,661	250,078
Orthotics and prosthetics supplies	90,501	88,523
Special devices supplies	139,393	184,307
Other supplies and expenses	207,652	189,318
Restricted expenditures		
Variety Club Manitoba Tent 58 - prosthetics	19,357	56,986
Rehabilitation Centre for Children Foundation Incorporated	16,342	28,576
School therapy salaries and other costs	887,842	808,809
Provincial Outreach Therapy for Children salaries and other costs	310,895	281,210
Repairs and maintenance	44,746	73,299
Utilities, insurance and taxes	64,382	59,478
Purchased services	41,417	25,110
	3,866,058	3,699,204
EXCESS OF REVENUE OVER EXPENSES BEFORE THE FOLLOWING	35,672	32,804
OTHER INCOME (EXPENSES)		
Amortization of deferred contributions	38,698	31,253
Amortization of capital assets	(41,824)	(34,702)
Interest income	4,750	5,644
Funding for prior years' deficit	73,731	-
	75,355	2,195
EXCESS OF REVENUE OVER EXPENSES	$ 111,027	$ 34,999

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Changes in Net Assets
Year Ended March 31, 2003

	2003				2002
	Invested in Capital Assets (Note 8a)	Restricted (Note 9)	Unrestricted	**Total**	Total
Balance, beginning of year	$ 10,704	$ 46,411	$ 464,308	**$ 521,423**	$ 486,424
Cumulative adjustment due to unfunded employee future benefits (Note 2d)	-	-	(156,831)	**(156,831)**	-
Fund transfers	23,500	-	(23,500)	-	-
Excess of revenue over expenses (expenses over revenue) (Note 8b)	(3,126)	40,299	73,854	**111,027**	34,999
Balance, end of year	$ 31,078	$ 86,710	$ 357,831	**$ 475,619**	$ 521,423

REHABILITATION CENTRE FOR CHILDREN, INC.

Statement of Cash Flows

Year Ended March 31, 2003

	2003	2002
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 111,027	$ 34,999
Add charges (deduct credits) to operations not requiring a current cash payment		
Amortization of capital assets	41,824	34,702
Amortization of deferred contributions	(38,698)	(31,253)
	114,153	38,448
Net change in non-cash working capital balances related to operations	55,597	(1,414)
	169,750	37,034
FINANCING AND INVESTING ACTIVITIES		
Increase in deferred contributions related to capital assets	52,646	50,865
Changes in cash restricted for purchases of capital assets	2,739	253
Purchase of capital assets	(78,885)	(51,118)
	(23,500)	-
NET INCREASE IN CASH POSITION	146,250	37,034
CASH POSITION, BEGINNING OF YEAR	114,007	76,973
CASH POSITION, END OF YEAR	$ 260,257	$ 114,007

1. NATURE AND OBJECTIVES OF THE CENTRE

The Rehabilitation Centre for Children, Inc. was incorporated by Articles of Incorporation under the Corporations Act of Manitoba on March 2, 1981, without authorized share capital and is a registered charity under the Income Tax Act.

The Mission of the Rehabilitation Centre for Children, Inc. is to support children with special needs in Manitoba and surrounding areas in reaching their goals and participating in their communities. Together, with families and our partners, we provide a centre of excellence for children's rehabilitation, which includes direct service, education, research, and innovative technologies that are developed and delivered in an integrated, service system.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) *Funding from Winnipeg Regional Health Authority*

The Centre is funded during the year by the Winnipeg Regional Health Authority for the total of its approved budgeted expenses, excluding school therapy, provincial outreach therapy, orthotics and prosthetics expenses, as determined by the Winnipeg Regional Health Authority. The Centre is entitled to retain surpluses up to a maximum of 2% of Winnipeg Regional Health Authority approved programs.

b) *Inventory*

Inventory is valued at the lower of cost or replacement cost.

c) *Capital assets*

Equipment acquired April 1, 1981 is recorded at a nominal value. Additions to equipment subsequent to April 1, 1981 are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense.

Capital assets are amortized on a straight-line basis over the following estimated useful lives:

Building and building service equipment	20 years
Equipment and furniture	5 - 10 years

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) *Deferred charges –employee future benefits*

The Centre records a provision for future employee benefits including accrued vacation entitlements, accrued overtime and accrued retirement entitlement obligations. For certain employees, funding for the future employee benefits is recoverable from the Winnipeg Regional Health Authority (WRHA) as a component of salary costs in the period in which the expenditures are made. Accordingly, for those employees funded by the WRHA, the cost of the estimated accrued vacation pay, overtime and retirement entitlement obligations at year-end is deferred to enable an appropriate matching of expenses with income secured in subsequent years.

Management has determined that the costs of certain employees future benefits are not funded by the WRHA, and are in fact the obligation of the Centre. The cumulative effect of these costs to March 31, 2003 is calculated to be $156,831 and has been recorded as a charge against unrestricted net assets. In future years, there will be a charge to operations for the change in the funding obligation during the year.

e) *Revenue recognition*

The Centre follows the deferral method of accounting for contributions which includes donations and government grants. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at the same rate as the corresponding capital asset.

f) *Financial instruments*

Credit risk
Credit risk arises from the potential that a counterparty will fail to perform its obligations. In addition, the Centre is exposed to credit risk from its customers. However, the Centre has a large number of customers which minimizes the concentration of credit risk.

Fair value
The fair value of cash, accounts receivable, accounts payable, and accrued vacation pay is approximately equal to their carrying values due to their short-term maturity.

3. ACCOUNTS RECEIVABLE

	2003	2002
Patient services	$ 34,343	$ 36,544
School divisions	189,398	152,357
Manitoba Health		
Operations	43,609	37,792
Patient services	26,412	100,045
Winnipeg Regional Health Authority		
Operations	50,145	29,188
Due from Rehabilitation Centre for Children Foundation Incorporated (Note 7)	29,055	28,022
Variety Club of Manitoba	97,706	78,349
Other	1,475	1,473
	$ 472,143	$ 463,770

4. CAPITAL ASSETS

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building and building service equipment	$ 207,401	$ 207,400	$ 1	$ 1
Equipment and furniture	616,793	449,412	167,381	130,320
	$ 824,194	$ 656,812	$ 167,382	$ 130,321

5. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and funding received for the purchase of capital assets. The amortization of capital contributions is recorded in the statement of operations. Changes in the deferred contributions are as follows:

	2003	2002
Balance, beginning of year	$ 140,873	$ 121,261
Add: contributions	52,646	50,865
Less: amounts amortized to revenue	(38,698)	(31,253)
	$ 154,821	$ 140,873

6. PENSION PLAN

Substantially all of the employees of the Centre are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating facilities. Plan members will receive benefits based on the length of services and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual facilities. As a result, individual participating facilities are not able to identify their share of the underlying assets and liabilities and accordingly, the plan is accounted for as a defined contribution plan.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at January 1, 2002 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Centre on behalf of its employees amounted to $131,167 (2002 - $117,144) and are included in the statement of operations.

7. RELATED ENTITIES

The Rehabilitation Centre for Children Foundation Incorporated (the Foundation) exists solely to support the activities of the Rehabilitation Centre for Children, Inc. A member of the Centre's Board of Directors sits as a Director on the Foundation's 15 member Board. The Foundation is incorporated under the Corporations Act of Manitoba and is a registered charity under the Income Tax Act. The Foundation may, at its discretion, fund specific projects of the Centre but such funding is for restricted purposes and is not available for general operating activities. The financial statements of the Foundation have not been consolidated in these statements. The financial summary of the controlled entity is as follows:

	2003	2002
Financial Position		
Total assets	$ 1,444,097	$ 1,457,757
Total liabilities	31,190	45,042
Total net assets	$ 1,412,907	$ 1,412,715
Results of Operations		
Total revenues	$ 260,577	$ 285,765
Total expenses	260,385	304,726
Excess of revenue over expenses (expenses over revenue)	$ 192	$ (18,961)

During the year, the Foundation donated a total of $54,285 to the Centre in the form of cash and capital donations (2002 - $60,280).

8. INVESTMENT IN CAPITAL ASSETS

a) Investment in capital assets is calculated as follows:

	2003	2002
Restricted cash	$ 18,517	$ 21,256
Capital assets	167,382	130,321
Amounts financed by deferred contributions	(154,821)	(140,873)
	$ 31,078	$ 10,704

b) Change in net assets invested in capital assets is calculated as follows:

	2003	2002
Excess of expenses over revenue		
Amortization of deferred contributions related to capital assets	$ 38,698	$ 31,253
Amortization of capital assets	(41,824)	(34,702)
	(3,126)	(3,449)
Net change in investment in capital assets		
Restricted cash	(2,739)	(253)
Purchase of capital assets	55,385	51,118
Deposit on capital asset	23,500	-
Deferred contributions	(52,646)	(50,865)
	23,500	-
	$ 20,374	$ (3,449)

9. RESTRICTED NET ASSETS

Per the Centre's agreement with the Province of Manitoba Department of Family Services and Housing, surpluses generated through the Provincial Outreach Therapy for Children program are restricted to the future provision of outreach therapy services.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the financial statement presentation adopted in the current year.

Management Report

The accompanying financial statements are the responsibility of the management of the Special Operating Agencies Financing Authority and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to July 22, 2003.

Management maintains internal controls to properly safeguard the Financing Authority's assets, to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the Office of the Auditor General is to express an independent opinion on whether the financial statements of the Financing Authority are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Wayne L. McIntosh
Acting Chairperson,
Special Operating Agencies Financing Authority

July 22, 2003

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Member of the Special Operating Agencies Financing Authority

We have audited the combined balance sheet of the Special Operating Agencies Financing Authority at March 31, 2003 and the combined statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2003 and results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 22, 2003

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Balance Sheet
(in thousands)

Year Ended March 31	2003	2002
Assets		
Current:		
Cash	$5,921	$6,636
Restricted cash for expansion (Note 3)	3,509	-
Term deposits with the Minister of Finance	16,343	13,588
Customer deposits	1,161	1,249
Accounts receivable (Note 4)	10,032	9,512
Inventories	4,769	4,106
Prepaid expenses	2,168	1,758
	43,903	36,849
Trust assets	10	10
Restricted deposits (Note 6)	1,000	905
Capital assets (Note 5)	52,631	50,864
Receivable from the Province of Manitoba (Note 7)	5,102	5,102
	$102,646	$93,730
Liabilities		
Current:		
Working capital advances (Note 8)	$7,749	$8,711
Accounts payable and accruals	10,728	10,895
Unearned revenue	2,959	2,053
Current portion - capital lease obligations (Note 11)	58	22
Current portion - long-term debt (Note 10)	5,253	4,799
	26,747	26,480
Trust liabilities	10	10
Unearned revenue	889	-
Deferred contributions (Note 9)	3,351	-
Capital lease obligations (Note 11)	138	64
Long-term debt – Province of Manitoba (Note 10)	15,134	13,922
Severance liability (Note 13)	4,291	4,136
	50,560	44,612
Equity (Note 14)		
Contributed equity	17,661	17,661
Reserve funds (Note 15)	1,500	1,405
Retained earnings	32,925	30,052
	52,086	49,118
	$102,646	$93,730

Commitments (Note 16)

See accompanying notes to the financial statements.

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Statement of Income and Retained Earnings
(in thousands)

Year Ended March 31	2003	2002
Special Operating Agencies Financing Authority		
Revenue		
Annual levy	$11	$15
Treasury Board Secretariat/Finance contribution	98	86
	109	101
Expenses		
Salaries and benefits	82	68
Other operating	23	35
	105	103
Financing Authority operations	4	(2)
Special Operating Agency operations – net income (loss)		
Civil Legal Services	363	170
Companies Office	1,213	1,862
Fleet Vehicles Agency	1,983	2,925
Food Development Centre	56	75
Industrial Technology Centre	5	40
Land Management Services	(321)	152
Mail Management Agency	(35)	(198)
MERLIN	60	(44)
Manitoba Securities Commission	5,380	4,828
Manitoba Text Book Bureau	15	29
Materials Distribution Agency	410	504
Office of the Fire Commissioner	540	(293)
Organization and Staff Development	(9)	122
Pineland Forest Nursery	(162)	63
The Property Registry	5,322	3,814
The Public Trustee	(205)	(42)
Vital Statistics Agency	195	71
Net income for the year	14,814	14,076
Retained earnings, beginning of year	30,052	28,756
Transfer of surplus funds to the Province of Manitoba		
Civil Legal Services	(200)	-
Companies Office	(1,000)	(1,960)
Fleet Vehicles Agency	(1,500)	(1,100)
Land Management Services	(250)	(250)
Manitoba Securities Commission	(5,500)	(5,500)
Materials Distribution Agency	(400)	(400)
The Property Registry	(2,496)	(3,100)
Vital Statistics Agency	(500)	(235)
Reserve fund – Manitoba Securities Commission (Note 15)	(95)	(235)
Retained earnings, end of year	$32,925	$30,052

See accompanying notes to the financial statements.

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Statement of Cash Flows
(in thousands)

Year Ended March 31	2003	2002
Cash derived from (applied to):		
Operating		
Net income	$14,814	$14,076
Amortization	10,659	9,661
Gain on disposal of capital assets	(921)	(730)
	24,552	23,007
Change in:		
Customer deposit accounts	88	22
Accounts receivable	(520)	1,796
Inventories	(663)	1,067
Prepaid expenses	(410)	(228)
Accounts payable and accruals	(170)	(8,170)
Severance liability	155	220
Unearned revenue	1,795	47
Cash derived from operating activities	24,827	17,761
Investing		
Increase in restricted short-term deposits	(95)	(235)
Proceeds from disposal of capital assets	1,904	1,517
Acquisition of capital assets	(13,406)	(17,336)
Cash applied to investing activities	(11,597)	(16,054)
Financing		
Proceeds from long-term debt	6,550	9,950
Long-term debt repayments	(4,884)	(4,668)
Capital lease obligations	110	58
Transfer of surplus funds	(11,846)	(12,545)
Change in deferred contributions	3,351	-
Cash applied to financing activities	(6,719)	(7,205)
Increase (decrease) in cash	6,511	(5,498)
Cash and cash equivalents:		
Beginning of year	11,513	17,011
End of year	$18,024	$11,513
Represented by:		
Cash	$ 5,921	$ 6,636
Term deposits with the Minister of Finance	16,343	13,588
Restricted cash for expansion (Note 3)	3,509	-
Working capital advances	(7,749)	(8,711)
	$18,024	$11,513

See accompanying notes to the financial statements.

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1. Nature of organization

The Special Operating Agencies Financing Authority (the "Financing Authority") is a body corporate established effective April 1, 1992 under ***The Special Operating Agencies Financing Authority Act.*** Under the direction of the Minister of Finance, the Financing Authority consists of the Chairperson as its sole member and receives staff support from the Department of Finance.

The Financing Authority provides a mechanism for funding Special Operating Agencies (SOAs) that operate outside the Consolidated Fund. It functions as a non-operating holding company, with the mandate to hold and acquire assets required for and resulting from SOA operations. It finances SOAs through contributed equity, repayable loans, and working capital advances. This financial framework enables SOAs to operate in a business-like manner within government policy expectations.

SOAs are designated by regulation under the Act and operate under a charter approved by the Lieutenant Governor in Council. A management agreement between the Financing Authority and the Minister responsible for each SOA assigns responsibility to the agency to manage and account for SOA-related assets and operations on behalf of the Financing Authority. SOAs remain accountable to their Minister for the results they achieve with the authority and resources granted.

The Financing Authority is economically dependent on the Province of Manitoba. Currently, the Financing Authority derives most of its revenue and all of its capital financing requirements from the Province.

SOAs in operation during the fiscal year ended March 31, 2003 were as follows:

Civil Legal Services, Department of Justice
Companies Office, Department of Finance
Fleet Vehicles Agency, Department of Transportation and Government Services
Food Development Centre, Department of Agriculture and Food
Industrial Technology Centre, Department of Energy, Science and Technology
Land Management Services, Department of Transportation and Government Services
Mail Management Agency, Department of Transportation and Government Services
Manitoba Education, Research and Learning Information Networks (MERLIN), Department of Energy, Science and Technology
Manitoba Securities Commission, Department of Finance
Manitoba Text Book Bureau, Department of Education and Youth
Materials Distribution Agency, Department of Transportation and Government Services
Office of the Fire Commissioner, Department of Labour and Immigration
Organization and Staff Development, Civil Service Commission
Pineland Forest Nursery, Department of Conservation
The Property Registry, Department of Finance
The Public Trustee, Department of Justice
Vital Statistics Agency, Department of Finance.

2. Significant accounting policies

The financial statements of the Financing Authority are presented in accordance with Canadian generally accepted accounting principles.

Basis of reporting

The financial statements of the Financing Authority reflect the financial position and operating results of SOAs currently governed by management agreements with the Financing Authority. These statements are presented on a combined basis. Therefore, inter-agency balances and transactions have not been eliminated.

The following policies apply to the Financing Authority, as well as to all agencies combined herein.

Amortization of capital assets

Vehicles, fire engines	30%, declining balance
Vehicles (signed lease agreement)	straight line over term of lease
Equipment and furniture	20 - 33%, straight line 20%, declining balance
Computer equipment and software	20%, straight line
Rental equipment (Materials Distribution Agency)	2, 3, or 5 years, straight line
Buildings	5 - 40 years, straight line
Practical training site (Office of the Fire Commissioner)	20 years, straight line
Leasehold improvements	3 - 10 years, straight line
Other assets	3 years, straight line

Inventories

Inventories are valued at the lower of cost and market value.

Financial instruments

The carrying amounts of the current assets and liabilities are reasonable estimates of their fair value because of the short-term maturity of these instruments.

Administrative expenses paid by the Province of Manitoba

The Treasury Board contribution covers salaries and benefits and certain operating expenses, paid by the Province of Manitoba on behalf of the Financing Authority.

Use of estimates

In the preparation of the Financing Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual amounts could differ from these estimates.

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3. Restricted cash for expansion

In April 2002 the Food Development Centre received approval for an $11 million expansion funded by the Federal and Provincial governments.

The expansion will be completed during the March 31, 2005 year-end. As at March 31, 2003 $3,509 has been contributed by the Federal government and is being held on deposit with the Minister of Finance, to be used for the completion of this project.

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4. Accounts receivable

	2003	2002
Trade	$ 9,570	$ 9,026
Insurance agency rebate	355	271
Other	107	215
	$10,032	$ 9,512

The trade receivables are mostly due from the Province of Manitoba.

The insurance agency rebate is for discounts receivable by the Fleet Vehicles Agency from the Manitoba Public Insurance Corporation based on favourable claims experience for the Province's vehicle fleet in the previous insurance year.

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5. Capital assets

			2003	2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Vehicles, fire engines	$69,482	$30,955	$38,527	$36,848
Equipment and furniture	10,653	6,460	4,193	3,692
Computer equipment and software	4,554	3,067	1,487	1,775
Buildings	7,929	2,712	5,217	5,491
Practical training site	1,935	475	1,460	1,521
Leasehold improvements	1,633	895	738	587
Other assets	2,197	1,188	1,009	950
	$98,383	$45,752	$52,631	$50,864

6. Restricted deposits

The Manitoba Securities Commission maintains separate short-term deposits with the Province of Manitoba to fund revenue fluctuations and to respond to unforeseen events that cannot reasonably be budgeted for within the annual business planning process.

7. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of certain agencies prior to their designation as SOAs. It also includes severance pay benefits earned by SOA employees to March 31, 1998, as well as the benefits accumulated by the employees of the Manitoba Securities Commission prior to March 31, 1999. The balance is comprised of:

	2003	2002
Vacation entitlements	$1,766	$1,766
Severance pay benefits	3,336	3,336
	$5,102	$5,102

The receivable or portion thereof, for an individual SOA will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of an SOA.

8. Working capital advances

The Minister of Finance, with Lieutenant-Governor-in-Council approval by Orders in Council 747/1992, 242/1994, 152/1995, 151/1996, 136/1997, 168/1998, and 129/2000, has arranged for working capital advances to be available to the Financing Authority. The aggregate of the outstanding advances is not to exceed $20,370 (2002 - $20,370) at any one time. As at March 31, 2003, $12,621 (2002 - $11,659) of these advances was unused and available.

9. Deferred contributions

Funds received prior to March 31, 2003 by the Food Development Centre from the Federal government related to the expansion of an existing facility are recorded as deferred contributions. These amounts will be taken into income to match the amortization of the expansion.

10. Long-term debt - Province of Manitoba

		2003	2002
5.5%	repayable in semi-annual instalments of $289 principal and interest, maturing in 2002	$ -	$ 282
5.875%	repayable in semi-annual instalments of $316 principal and interest, maturing in 2003	-	604
5.5%	repayable in semi-annual instalments of $232 principal and interest, maturing in 2004	444	866
6%	repayable in semi-annual instalments of $141 principal and interest, maturing in 2004	269	523
9%	repayable in annual instalments of $55 principal and interest, maturing in 2005	98	141
6.875%	repayable in semi-annual instalments of $408 principal and interest, maturing in 2005	1,499	2,176
6.625%	repayable in semi-annual instalments of $167 principal and interest, maturing in 2005	757	1,027
5.75%	repayable in semi-annual instalments of $495 principal and interest, maturing in 2006	2,693	3,493
5.375%	repayable in semi-annual instalments of $121 principal and interest, maturing in 2006	764	957
4.75%	repayable in semi-annual instalments of $243 principal and interest, maturing in 2006	1,550	1,948
5.625%	repayable in semi-annual instalments of $174 principal and interest, maturing in 2007	1,232	1,500
4.25%	repayable in semi-annual instalments of $179 principal and interest, maturing in 2007	1,455	-
4.75%	repayable in semi-annual instalments of $397 principal and interest, maturing in 2008	3,500	-

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10. Long-term debt - Province of Manitoba (continued)

6.425%	repayable in semi-annual instalments of $146 principal and interest, maturing in 2009	1,434	1,624
5.25%	repayable in semi-annual instalments of $159 principal and interest, maturing in 2009	1,736	1,955
5.625%	repayable in semi-annual instalments of $134 principal and interest, maturing in 2009	1,446	1,625
5.125%	repayable in semi-annual instalments of $123 principal and interest, maturing in 2010	1,510	-
		20,387	18,721
Amount due within one year		5,253	4,799
		$15,134	$13,922

Principal repayments in each of the next five years are as follows:

2004	$5,253
2005	4,799
2006	4,022
2007	2,698
2008	1,933

As at March 31, 2003, the Financing Authority had $3,100 remaining in loan authority under ***The Loan Act, 2002.*** ***The Loan Act, 2003*** is pending Legislative approval. The original loan authority under each of these Acts is:

	The Loan Act, 2003	***The Loan Act, 2002***
for Fleet Vehicles Agency	$4,000	$9,650
for Food Development Centre	2,400	3,800

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11. Capital lease obligations

The Mail Management Agency and the Property Registry have obligations of $153 and $43 respectively under capital leases. The agreements carry various terms and conditions.

The estimated minimum lease payments which includes principal and interest under the capital lease obligations for equipment are as follows:

2004	$61
2005	61
2006	48
2007	30
	200
Less: imputed interest	4
	196
Less: current portion	58
	$138

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12. Pension benefits

Employees of SOAs are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act, administered by the Civil Service Superannuation Board (CSSB).

Prior to April 1, 2001, only the Industrial Technology Centre and the Food Development Centre matched their employees' current contributions to the CSSB and had no additional liability under the Act.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the remaining SOAs transferred to the Province the pension liability for their employees.

Commencing April 1, 2001, the SOAs were required to pay to the Province an amount equal to their employees' current pension contributions.

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13. Severance liability

Effective April 1, 1998, SOAs began recording accumulated severance pay benefits for their employees. The estimate of the liability was based on the method of calculation set by the Province of Manitoba.

The Province accepted responsibility for the severance benefits accumulated by SOA employees to March 31, 1998, as well as for the benefits accumulated by employees of the Manitoba Securities Commission to March 31, 1999. Accordingly, the opening severance pay liability balances as at April 1, 1998 calculated at $3,511 and as at April 1, 1999 calculated at $135 were completely offset by a receivable from the Province.

An actuarial valuation report of the severance liability of SOAs was completed as at March 31, 2000. The recorded liability as at March 31, 2000 was restated to $3,676, and the receivable from the Province was restated to $3,336 as a result of the actuarial valuation. There was no effect on the severance benefit expense for the year ended March 31, 2000. The report provides a formula to update the liability on an

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13. Severance liability (continued)

annual basis. In accordance with the formula, the actuarial liability of SOAs has been calculated to be $4,291 as at March 31, 2003.

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14. Equity

	2003	2002
Contributed equity		
Fleet Vehicles Agency	$ 4,118	$ 4,118
Industrial Technology Centre	62	62
Mail Management Agency	51	51
Manitoba Text Book Bureau	549	549
Materials Distribution Agency	1,246	1,246
Office of the Fire Commissioner	11,279	11,279
Pineland Forest Nursery	356	356
	$17,661	$17,661

	2003	2002
Retained earnings		
Civil Legal Services	$768	$605
Companies Office	1,722	1,509
Fleet Vehicles Agency	12,952	12,469
Food Development Centre	101	45
Industrial Technology Centre	1,207	1,202
Land Management Services	304	875
Mail Management Agency	255	290
MERLIN	(334)	(394)
Manitoba Securities Commission	3,299	3,514
Manitoba Text Book Bureau	126	111
Materials Distribution Agency	3,961	3,951
Office of the Fire Commissioner	(463)	(1,003)
Organization and Staff Development	373	382
Pineland Forest Nursery	588	750
The Property Registry	6,759	3,933
The Public Trustee	668	873
Vital Statistics Agency	632	937
Financing Authority	7	3
	$32,925	$30,052

15. Reserve funds

The Public Trustee

The Public Trustee has allocated a reserve out of retained earnings to provide for short-term fluctuations in revenue due to changes in revenue patterns or extraordinary expenses. The balance of the reserve at March 31, 2003 is $500 (2002 - $500).

Manitoba Securities Commission

The Manitoba Securities Commission has allocated a reserve out of retained earnings to provide for extraordinary regulatory expenses and changes in market activity affecting revenue. The intent is to fund the reserve over four years to an accumulated balance of $1,000. The balance of the reserve at March 31, 2003 is $1,000 (2002 - $905).

16. Commitments

Commitments for SOAs with building lease agreements at March 31, 2003 total $9,900 (2002 - $5,592). Estimated minimum lease payments for each of the next five years are as follows:

2004	$1,950
2005	1,544
2006	1,389
2007	1,383
2008	1,370

Other commitments entered into by SOAs are as follows:

Manitoba Text Book Bureau	Provision of warehousing and distribution services	$376
Office of the Fire Commissioner	Vehicle lease agreements	562
The Property Registry	Equipment lease agreements	371
		$1,309

17. Estates and trusts under administration

The Public Trustee has statutory responsibility for administering clients' estates and trusts. The client assets under administration at March 31, 2003 total approximately $168,000 (2002 - $163,000). The trust activities of The Public Trustee are reported in separate audited financial statements for Estates and Trusts under Administration

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18. Public sector compensation

No employee of the Financing Authority received compensation of $50 or more during the year ended March 31, 2003.

Compensation information for each SOA is disclosed in the notes to their audited financial statements.

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19. Comparative figures

Comparative figures for the year ended March 31, 2002 have been restated, where appropriate, to conform to the presentation adopted for March 31, 2003.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Board of Governors of The University of Manitoba

We have audited the consolidated statement of financial position of The University of Manitoba as at March 31, 2003 and the consolidated statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2003 and the results of its operations and changes in fund balances and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jon W. Singleton, CA•CISA
Auditor General

Winnipeg, Manitoba
May 30, 2003

CONSOLIDATED FINANCIAL STATEMENTS

The University of Manitoba
Consolidated Statement of Financial Position
as at March 31
(in thousands of dollars)

Assets	*2003*	*2002*
Current Assets		
Cash	$ 6,862	$ 12,203
Investments (Note 3)	91,645	81,479
Accounts Receivable:		
Council on Post-Secondary Education	2,291	2,964
General	26,690	22,139
Research and Special	25,696	22,750
Inventories	3,810	3,421
Prepaid Expenses	101	310
	157,095	145,266
Long Term Assets		
Investments (Note 3)	197,180	185,755
Funds on Deposit for Staff Benefits (Note 4)	30,609	31,665
Investment in Subsidiary Companies (Note 5)	93	93
Capital Assets, Net of Accumulated Amortization (Note 7)	353,536	303,536
	581,418	521,049
	$ 738,513	$ 666,315

Liabilities	*2003*	*2002*
Current Liabilities		
Accounts Payable	$ 26,584	$ 28,052
Unearned Revenue	4,409	3,962
Unfunded Staff Benefits	7,781	7,096
Construction Loan (Note 8)	7,636	
Current Portion of Capital Lease Obligations (Note 9)	257	223
Current Portion of Long Term Debt (Note 10)	345	305
	47,012	39,638
Long Term Liabilities		
Employee Future Benefits (Note 11)	51,036	55,086
Capital Lease Obligations (Note 9)	420	645
Term Loans (Note 10)	6,756	5,608
	58,212	61,339
Province of Manitoba Capital Advances (Note 10)	2,000	4,665
Less: Sinking Fund Assets on Deposit with the Province of Manitoba (Note 10)	1,958	4,490
	42	175
	58,254	61,514
Fund Balances	633,247	565,163
	$ 738,513	$ 666,315

Commitments and Contingencies (Note 16)

APPROVED BY THE BOARD OF GOVERNORS

Wayne R Anderson

Wayne Anderson - Chair

Terry Sargeant - Vice-Chair

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and
Changes in Fund Balances
for the years ended March 31
(in thousands of dollars)

	General Funds (Note 2e)	*Restricted Funds (Note 2f)*	*Endowment Fund (Note 2g)*	*2003 Total Funds*	*2002 Total Funds*
Revenue:					
Tuition and Related Fees	$ 79,126	$	$	$ 79,126	$ 73,713
Contributions, Donations, Non-Government Grants	540	50,789	9,602	60,931	46,487
Investment Income	2,590	7,192		9,782	12,253
Miscellaneous Income	1,078	81		1,159	1,798
Government Grants:					
Council on Post-Secondary Education	198,211	10,130		208,341	205,769
Other Province of Manitoba	2,005	24,454		26,459	18,702
Government of Canada	6,098	58,640		64,738	46,243
Sales of Goods and Services	20,538			20,538	19,396
Ancillary Enterprises	26,322			26,322	25,591
	336,508	151,286	9,602	497,396	449,952
Expense:					
Academic	182,982	84,988		267,970	246,238
Libraries	11,897	60		11,957	10,744
Student Services	13,081	560		13,641	12,210
Administration	13,822	1,728		15,550	13,656
Plant Maintenance	28,498	11		28,509	27,050
Other Academic Support	16,808	431		17,239	17,260
General	7,688	3,028		10,716	10,184
Property Taxes	9,051			9,051	12,990
Scholarships, Bursaries, Prizes and Awards		7,621		7,621	7,946
Interest on Bank Loan, Capital Advances and Capital Lease Obligations		797		797	1,085
Amortization of Capital Assets		25,418		25,418	22,471
Ancillary Enterprises	23,869			23,869	23,134
Staff Benefits & Early Retirement Provision	(3,026)			(3,026)	(85)
	304,670	124,642		429,312	404,883
Net Revenue	31,838	26,644	9,602	68,084	45,069
Inter-Fund Transfers	(13,023)	11,570	1,453		
Net Increase to Fund Balances	18,815	38,214	11,055	68,084	45,069
Fund Balances Beginning of the Year	(4,168)	495,734	73,597	565,163	520,094
Fund Balances End of the Year	$ 14,647	$ 533,948	$ 84,652	$ 633,247	$ 565,163
Unrestricted Funds	$ (38,614)	$	$	$ (38,614)	$ (47,124)
Internally Restricted Funds	53,261	27,788		81,049	69,532
Externally Restricted Funds		161,773	84,652	246,425	234,535
Invested in Capital Assets		344,387		344,387	308,220
	$ 14,647	$ 533,948	$ 84,652	$ 633,247	$ 565,163

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the General Funds
for the years ended March 31
(in thousands of dollars)

	General Operating Fund (Note 2e)	*Specific Provisions Fund (Note 2e)*	*Expenses Funded From Future Revenues (Note 2e)*	*2003 Total General Funds*	*2002 Total General Funds*
Revenue:					
Tuition and Related Fees	$ 79,126	$	$	$ 79,126	$ 73,713
Contributions, Donations, Non-Government Grants	540			540	429
Investment Income	2,590			2,590	3,133
Miscellaneous Income	1,078			1,078	1,718
Government Grants:					
Council on Post-Secondary Education	198,211			198,211	194,254
Other Province of Manitoba	2,005			2,005	1,203
Government of Canada	6,098			6,098	568
Sales of Goods and Services	20,538			20,538	19,396
Ancillary Enterprises	26,322			26,322	25,591
	336,508			336,508	320,005
Expense:					
Academic	182,982			182,982	172,023
Libraries	11,897			11,897	10,723
Student Services	13,081			13,081	11,708
Administration	13,822			13,822	12,544
Plant Maintenance	28,498			28,498	27,028
Other Academic Support	16,808			16,808	16,816
General	7,688			7,688	6,590
Property Taxes	9,051			9,051	12,990
Ancillary Enterprises	23,869			23,869	23,134
Staff Benefits & Early Retirement Provision	(3,026)			(3,026)	413
	304,670			304,670	293,969
Net Revenue	31,838			31,838	26,036
Net Increase in Expenses to be Funded From Future Revenues	(7,762)		7,762		
Inter-Fund Transfers	(23,328)	10,305		(13,023)	(13,332)
Net Increase to Fund Balances	748	10,305	7,762	18,815	12,704
Fund Balances Beginning of the Year	955	42,956	(48,079)	(4,168)	(16,872)
Fund Balances End of the Year	$ 1,703	$ 53,261	$ (40,317)	$ 14,647	$ (4,168)
Unrestricted Funds	$ 1,703	$	$ (40,317)	$ (38,614)	$ (47,124)
Internally Restricted Funds		53,261		53,261	42,956
	$ 1,703	$ 53,261	$ (40,317)	$ 14,647	$ (4,168)

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the Restricted Funds
for the years ended March 31
(in thousands of dollars)

	Capital Asset Fund (Note 2f)	*Research and Special Fund (Note 2f)*	*Staff Benefits Fund (Note 2f)*	*Trust Fund (Note 2f)*	*2003 Total Restricted Funds*	*2002 Total Restricted Funds*
Revenue:						
Contributions, Donations, Non-Government Grants	$ 6,718	$ 35,261	$ 919	$ 7,891	$ 50,789	$ 39,958
Investment Income	244		1,057	5,891	7,192	9,119
Miscellaneous Income			26	55	81	80
Government Grants:						
Council on Post-Secondary Education	10,130				10,130	11,515
Other Province of Manitoba	9,602	14,852			24,454	17,499
Government of Canada	10,173	48,467			58,640	45,675
	36,867	98,580	2,002	13,837	151,286	123,846
Expense:						
Academic		84,988			84,988	74,215
Libraries		60			60	21
Student Services		560			560	502
Administration		1,728			1,728	1,112
Plant Maintenance		11			11	22
Other Academic Support		431			431	444
General		15	2,185	828	3,028	3,572
Scholarships, Bursaries, Prizes and Awards				7,621	7,621	7,946
Interest on Bank Loan, Capital Advances and Capital Lease Obligations	797				797	1,085
Amortization of Capital Assets	25,418				25,418	22,471
Staff Benefits & Early Retirement Provision						(498)
	26,215	87,793	2,185	8,449	124,642	110,892
Net Revenue (Expense)	10,652	10,787	(183)	5,388	26,644	12,954
Inter-Fund Transfers	25,515	(5,036)	(5,271)	(3,638)	11,570	12,192
Net Increase (Decrease) to Fund Balances	36,167	5,751	(5,454)	1,750	38,214	25,146
Fund Balances Beginning of the Year	308,220	55,179	17,562	114,773	495,734	470,588
Fund Balances End of the Year	$ 344,387	$ 60,930	$ 12,108	$ 116,523	$ 533,948	$ 495,734
Internally Restricted Funds	$	$	$ 5,422	$ 22,366	$ 27,788	$ 26,576
Externally Restricted Funds		60,930	6,686	94,157	161,773	160,938
Invested in Capital Assets	344,387				344,387	308,220
	$ 344,387	$ 60,930	$ 12,108	$ 116,523	$ 533,948	$ 495,734

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Cash Flows
as at March 31
(in thousands of dollars)

	General Funds	*Restricted Funds*	*Endowment Fund*	*2003 Total Funds*	*2002 Total Funds*
Cash from Operating Activities:					
Excess of Revenue over Expense	$ 31,838	$ 26,644	$ 9,602	$ 68,084	$ 45,069
Amortization of Capital Assets		25,418		25,418	22,471
Income on Investment in Subsidiary Companies					(3)
	31,838	52,062	9,602	93,502	67,537
Net Change in Non-Cash Working Capital Items	(17,384)	10,044		(7,340)	3,225
Net Change in Employee Future Benefits	(8,447)	4,397		(4,050)	2,806
Net Cash Generated through Operating Activities	6,007	66,503	9,602	82,112	73,568
Investing Activities:					
Increase in Long-Term Investments		(370)	(11,055)	(11,425)	(12,772)
(Increase) Decrease in Funds on Deposit for Staff Benefits		1,056		1,056	(423)
Purchase of Capital Assets		(75,418)		(75,418)	(56,083)
Net Cash Used in Investing Activities		(74,732)	(11,055)	(85,787)	(69,278)
Financing Activities:					
Proceeds from Capital Lease Obligations		48		48	559
Proceeds from Term Loan		1,500		1,500	
Proceeds from Construction Loan		7,636		7,636	
Principal Repayment on Capital Lease Obligations		(239)		(239)	(275)
Principal Repayment on Province on Manitoba Capital Advances		(2,665)		(2,665)	(2,438)
Principal Repayment on Debentures					(158)
Principal Repayment on Term Loans		(312)		(312)	(285)
Net Cash Generated (Used) in Financing Activities		5,968		5,968	(2,597)
Net Increase (Decrease) in Cash	6,007	(2,261)	(1,453)	2,293	1,693
Inter-Fund Adjustments	(13,023)	11,570	1,453		
Cash Beginning of Year	44,765	53,407		98,172	96,479
Cash End of Year	$ 37,749	$ 62,716	$	$ 100,465	$ 98,172
Cash is defined as:					
Cash	$ 1,820	$ 5,042	$	$ 6,862	$ 12,203
Investments	35,929	55,716		91,645	81,479
Sinking Fund Assets on Deposit with the Province of Manitoba		1,958		1,958	4,490
	$ 37,749	$ 62,716	$	$ 100,465	$ 98,172

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars)

1. AUTHORITY AND PURPOSE

The University of Manitoba was established in 1877. It is governed by a Board of Governors acting under the authority of The University of Manitoba Act, R.S.M. 1987, c. U60. The University of Manitoba is a registered charity and is exempt from income taxes under Section 149 of the Income Tax Act.

The University of Manitoba, as the largest and most comprehensive institution of higher learning in Manitoba, plays a distinctive role within the Province. In addition to offering an undergraduate liberal education in arts, science and education, the University of Manitoba provides programs in a broad range of professional studies, applied sciences and the fine and performing arts and is responsible for the vast majority of graduate education and research in Manitoba. The University of Manitoba reaches out to a variety of constituencies in order to enhance the health, cultural, social and economic life of Manitobans and to provide lifelong learning opportunities for them. Through community service the University makes its expertise available to all Manitobans.

2. SIGNIFICANT ACCOUNTING POLICIES

a. General

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles as recommended by the Canadian Institute of Chartered Accountants ("CICA") for not-for-profit organizations. The University has adopted the restricted fund method of accounting for contributions.

b. Basis of Consolidation

The consolidated financial statements include the accounts of Smart Park Development Corporation, a wholly owned subsidiary of the University of Manitoba. The company has a March 31 year end and its purpose is to market and promote the development of a research park at the University of Manitoba.

c. Fund Accounting

The University classifies resources used for various purposes into separate Funds which correspond to its major activities and objectives. The Consolidated Statement of Financial Position combines the assets and liabilities of all Funds.

The University maintains its Funds under three fund categories, General, Restricted and Endowment Funds. The General Funds include the Funds for General Operating, Specific Provisions and Expenses Funded from Future Revenues. The Restricted Funds include the Capital Asset, Research & Special, Staff Benefits and Trust Funds. The Endowment Fund includes endowment funds of the University.

d. Accounting Estimates

Accounting estimates are included in financial statements to approximate the effect of past revenue or expense transactions or events, or to approximate the present status of an asset or liability. Examples include accruals for property taxes not yet assessed and the estimated useful life of an asset. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

e. General Funds

General Operating Fund:

The General Operating Fund includes the academic, administrative, operational and ancillary costs that are funded by tuition and related fees, government grants, investment and miscellaneous income, sales of goods and services to external parties and ancillary income. As such, this Fund reports unrestricted resources and restricted resources earmarked for general operating purposes.

All funds received or accrued by the University for general operating purposes and for equipment and renovation expenses not meeting the University's capitalization criteria are included in the General Operating Fund. The net cost of operating units is determined by including internal cost allocations for certain centrally administered services such as the telephone system in the units' expenses and by deducting these expenses as internal cost recoveries from the total expenses incurred by the unit administering these services.

The University Book Store, Parking, Student Residences and Pharmacy/Post Office are classified as Ancillary Enterprises and are budgeted on a break-even basis. Any surpluses or deficits are unrestricted and are maintained within the General Operating Fund. Overhead costs have been allocated to all ancillary operations. The replacement or improvement of capital assets for these ancillaries is funded by an annual appropriation to the Specific Provisions Fund. Amortization of ancillary capital assets and interest expense is recorded in the Capital Asset Fund.

Academic and administrative units also generate revenues through the sale of goods and services to individuals, companies and organizations external to the University. The revenues earned are unrestricted resources and are reflected in the General Operating Fund.

Specific Provisions Fund:
The Specific Provisions Fund records appropriations made from (to) the General Operating, Capital Asset and Research & Special Funds.

These appropriations are made to provide future funding for the replacement, improvement or emergency maintenance of capital assets, or other matters, including a fiscal stabilization provision to offset potential spending in excess of future budgets. Such appropriations are shown as inter-fund transfers on the Consolidated Statement of Operations and Changes in Fund Balances.

Expenses Funded From Future Revenues:
Expenses Funded from Future Revenues records the amount of unpaid vacation pay for permanent non-academic staff which will be funded from future revenues. It also records the actuarially determined expense for employee future benefits.

f. Restricted Funds

Capital Asset Fund:
The Capital Asset Fund consists of restricted contributions resulting from capital asset co-funding arrangements with external parties, contributed capital assets, sinking fund investment income and government grants, restricted for the purpose of acquiring capital assets and retiring capital advances. Expenses include interest on debt relating to the acquisition or construction of capital assets, amortization and gains or losses on disposal of capital assets, including write downs resulting from obsolescence.

Research and Special Fund:
The Research and Special Fund consists of contributions specifically restricted for research or other special activities. Contributions are provided from both federal and provincial granting agencies and other public and private sources. These funds are spent in accordance with the conditions stipulated in the governing contracts and agreements.

Staff Benefits Fund:
The Staff Benefits Fund is divided into Fund Accounts for Pension Reserve, Self-Insured Plans and Benefit Reserve, the revenues of which are restricted for the purposes noted.

(i) Pension Reserve:
This Fund Account is restricted for special payments towards any unfunded liability of The University of Manitoba Pension Plans (1970) and (1993) and other pension obligations.

(ii) Self-Insured Plans:
This Fund Account records the assets and liabilities for two self-insured benefit plans, the Long-Term Disability Income Plan and the Dental Plan. The Long Term Disability Income Plan is used for long term disability payments arising on and after June 1, 1981 for eligible staff. The Plan contains two funds, one for the payment of Basic Benefits and another for the payment of Cost-of-Living Benefits. The Dental Plan is administered by a contracted third party. Surplus funds are held for the purpose of covering deficits which may occur in this self-insured plan.

(iii) Benefit Reserve:
This Fund Account is used for the support of current and future staff benefit programs. Experience refunds related to the group insurance plans are credited to this Fund Account. Employment Insurance premium savings resulting from the extended sick leave coverage provided by the University are also credited to this Fund Account.

Trust Fund:
The Trust Fund records gifts and bequests received which may be used in their entirety along with net investment income earned on these funds, according to donor restrictions. The majority of these funds are used for scholarships, bursaries, awards, loans, and other scholarly activities.

g. Endowment Fund

The Endowment Fund records gifts and bequests received with the stipulation that these funds be invested in perpetuity and the income earned be utilized for designated purposes. In certain cases, the donor requires that a portion of the current investment income also be capitalized. As such, these funds are added to the capital account of the endowment.

h. Revenue Recognition

Restricted contributions relating to general operations are recognized as revenue of the General Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted Fund when received.

Unrestricted contributions, including sales of goods and services and ancillary revenues, are recognized as revenue of the General Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Investment income earned on temporary surplus funds, with the exception of trust and endowment funds, is recorded as unrestricted income in the General Operating Fund.

Contributions for endowment purposes are recognized as revenue in the Endowment Fund in the year received. Investment income earned on endowments is recorded in the appropriate Fund depending on the restrictions imposed by the original donor.

i. Contributed Materials and Services

Gifts-in-kind for materials other than capital assets are recorded in the consolidated financial statements to the extent that they are eligible for an official donation receipt, since this results in the capture of the information in the University's financial records.

Because of the difficulty involved in tracking and recording contributed services, however, the market value of these services are not recognized in the consolidated financial statements. Contributed services include activities such as membership on the University's Board of Governors and its various committees, lecturing services and volunteer services at fund-raising or sporting events all of which are performed by staff, students and the community at no charge to the University. These services, although not recognized in the consolidated financial statements, are critical to the successful functioning of the University.

j. Investments

Temporary surplus cash is invested in the short term money market.

Trust and endowment funds are invested in either the University Investment Trust ("UIT") or the Specific Trusts. The UIT is pooled for investment purposes. Within the UIT individual capital accounts are unitized, in order to improve the protection of the real value of capital balances against inflation and to facilitate the equitable distribution of income based on the number of units. A new market value per unit is determined monthly. Capital contributions and withdrawals are based on the current market value per unit. Trust and endowment funds held in the UIT are invested in fixed income securities and in the equity markets. These investments are professionally managed and held in the custody of an independent company. The Specific Trust funds are not pooled, but are invested individually in fixed income securities.

Staff benefits funds are invested in pooled funds in the fixed income securities and equity markets. These investments are professionally managed and held in the custody of an independent company. Income, including realized gains and losses, is recognized on the accrual basis, net of administrative costs.

All investment income is recorded on an accrual basis. Realized gains on sales of investments are recognized in the year of disposal. Losses are recognized in the year of disposal or when there is a loss in value of the investment that is deemed to be other than temporary.

k. Pledges Receivable

The University does not record pledges receivable in its consolidated financial statements. Revenue from gifts, bequests and donations is recognized on a cash basis because of the uncertainty surrounding collection and in some instances because of the difficulty in determining the valuation of pledges receivable. The University recognizes gifts and donations to be received through the University of Manitoba Foundation U.S.A. Inc. only when the Board of Directors of the Foundation have formalized the transfer with a resolution, collectibility is reasonably assured and the valuation of these gifts and donations can be reasonably determined.

l. Inventories

Inventories have been valued at the lower of cost and replacement cost.

m. Capital Assets

Purchased capital assets are recorded at cost. Capital assets which are constructed by the University are recorded as Construction in Progress until the capital asset is put into use. Contributed capital assets are recorded at market value at the date of contribution. Intangibles such as patents and copyrights are recorded at a nominal amount of one dollar in the year the patent or copyright is obtained.

Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Buildings and Major Renovations	25-50 years
Computer Hardware, Software and Electronics	5-10 years
Library Books	10 years
Furniture and Equipment	10 years
Parking Lots	20 years
Vehicles	5 years

Equipment acquired under a capital lease is amortized over the term of the lease. Works of art, treasures, rare books and manuscripts are not amortized. Capital assets acquired or constructed and put into use during the fiscal year are amortized at one-half of the applicable rate.

n. Collections

The University holds a number of collections which have been donated to its libraries, faculties and schools over the years. The library, faculty or school receiving the donation assumes responsibility for safeguarding and preserving the collection. The University seldom, if ever, disposes of its collections or of individual pieces in its collections and therefore does not have a formal policy with respect to the use of proceeds of disposal. However, the University abides by all restrictions placed by donors at the time a donation is received, which may include restrictions imposed relating to the sale of a collection or items contained therein.

The University's policy with regard to its collections is to fund maintenance expenses from the General Operating Fund, if monies are not available for such purposes in a Restricted Fund. The cost of maintenance is not tracked and is therefore not determinable.

o. Pension Costs

The cost of pension benefits earned by employees who are members of the University of Manitoba Pension Plan (1970) and the University of Manitoba Pension Plan (1993) is determined actuarially using the projected unit credit actuarial cost method and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. Pension costs for The University of Manitoba GFT Pension Plan (1986) are based on the contributions required of the University by that Plan.

p. Financial Instruments

The financial instruments at the University consist of cash, short term investments, accounts receivable, long term investments, accounts payable and long term debt. Unless otherwise noted, it is management's opinion that the University is not exposed to significant interest, currency, market or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values, unless otherwise disclosed.

q. Employee Future Benefits

The University accrues its obligations for employee future benefit plans relating to health, dental, long term disability and group life insurance. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

r. Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year end exchange rate. Revenues and expenses are translated at exchange rates on the transaction dates. Gains or losses arising from these translations are included in earnings.

(in thousands of dollars)

3. INVESTMENTS

The fair values and book values of investments as at March 31 are:

	2003 Fair Value	2003 Book Value	2002 Book Value
General, Research & Capital			
Bankers Acceptance and Bearer Deposit Notes	$ 91,645	$ 91,645	$ 81,479
Trust & Endowment			
Bankers Acceptance, Guaranteed Investment Certificates and Cash	$ 14,261	$ 14,261	$ 12,486
Bonds and Other Fixed Income Securities:			
Government of Canada	15,474	15,550	20,165
Province of Manitoba	3,320	3,331	877
Other Provincial	2,612	2,549	6,536
Municipal	2,662	2,575	2,575
Corporate	20,785	19,985	20,093
Other	3,800	3,702	2,848
	48,653	47,692	53,094
Equities:			
Canadian Equities	48,714	52,765	50,921
US Equities	31,518	40,772	33,628
International Equities	31,359	41,690	35,626
	111,591	135,227	120,175
	$ 174,505	$ 197,180	$ 185,755

4. FUNDS ON DEPOSIT FOR STAFF BENEFITS

The fair value and book value of investments held for Staff Benefits as at March 31 are:

	2003 Fair Value	2003 Book Value	2002 Book Value
Money Market Fund and Cash	$ 400	$ 400	$ 433
Bonds	9,874	9,327	10,993
Equities	15,201	18,144	16,993
Mortgage Fund	2,821	2,738	3,246
	$ 28,296	$ 30,609	$ 31,665
Held For:			
Pension Reserve	$ 6,921	$ 7,509	$ 7,700
Self Insured Plans	15,424	16,711	16,367
Benefit Reserve	5,951	6,389	7,598
	$ 28,296	$ 30,609	$ 31,665

5. INVESTMENT IN SUBSIDIARY COMPANIES

University of Manitoba Research Ltd., incorporated under the Manitoba Corporations Act, is a wholly-owned subsidiary of the University. University of Manitoba Research and Development Corporation is a wholly-owned subsidiary of University of Manitoba Research Ltd. Both subsidiary companies have a March 31 year end and were inactive during the 2002/03 fiscal year. The consolidated net income (loss) of University of Manitoba Research Ltd. is recorded in the Research and Special Fund in the Consolidated Statement of Operations and Changes in Fund Balances.

Small Business Law Clinic (MB) Inc. is a wholly-owned not-for-profit corporation without share capital. The purpose of the corporation is to operate a clinic, whereby students from the Faculty of Law may develop skills that are prerequisite to a successful solicitor-client relationship and in the process, assist community-based entrepreneurs and small business owners by dispensing legal information at a nominal cost. The company is exempt from income taxes under Section 149 of the Income Tax Act.

6. ECONOMIC INTEREST IN RELATED ENTITIES

a. The University of Manitoba Foundation U.S.A. Inc.

The University has an economic interest in the University of Manitoba Foundation U.S.A. Inc. ("the Foundation") which is an Illinois Not-For-Profit Corporation incorporated in December 1989. The Foundation's purpose is exclusively charitable, literary, scientific and educational and its activities include the promotion, encouragement, aid and advancement of higher education, research and training in the Province of Manitoba, in Canada and elsewhere. The

Foundation is exempt from U.S.A. Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code.

The Board of Directors of the Foundation is an independent board whose members direct and guide the Foundation's actions. Members on the Board include, among others, certain senior staff of the University of Manitoba. The University of Manitoba, however, is one of many universities eligible to receive aid from the Foundation. The University must make application to the Foundation's Board of Directors to request funds, which may or may not be granted. The University's economic interest therefore is beneficial, as gifts and donations which are solicited by the Foundation may be transferred to the University of Manitoba from time to time.

b. Biovar Life Support Inc.

The University has a 25% interest in Biovar Life Support Inc. ("Biovar") which is a profit-oriented company. Biovar has a June 30 year end. The University accounts for its investment in Biovar utilizing the cost method as it does not have significant influence in the management and/or direction of the company.

7. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 9,873	$	$ 9,873	$ 9,800
Buildings and Major Renovations	317,984	94,625	223,359	205,223
Construction in Progress	18,342		18,342	3,656
Library Books	101,442	70,914	30,528	26,224
Rare Books and Manuscripts	3,688		3,688	3,554
Works of Art	800		800	784
Computer Hardware, Software and Electronics	89,299	67,351	21,948	17,755
Furniture and Equipment	107,720	65,704	42,016	33,321
Vehicles	5,524	4,247	1,277	1,308
Parking Lots	1,338	131	1,207	1,173
Assets Under Capital Lease	3,239	2,741	498	738
	$ 659,249	$ 305,713	$ 353,536	$ 303,536

8. CONSTRUCTION LOAN

The construction loan represents a Bankers Acceptance with an all-in interest rate of 3.45%, maturing on June 27, 2003. Upon completion of the construction of the Arthur V. Mauro Student Residence, the construction loan will be converted to long term debt using Bankers Acceptances hedged with an interest rate swap.

Prior to year end, the University entered into a 25 year forward interest rate swap agreement whereby the University has fixed an all-in interest rate on a long term loan facility for the Arthur V. Mauro Student Residence. The effective date of the interest rate swap agreement is September 1, 2003 and the University will begin making monthly blended principal and interest repayments at a fixed rate of 5.92% beginning on October 1, 2003.

The University's exposure to interest rate risk is managed through the use of this swap agreement. The stamping fee rate is fixed until September 1, 2013, while the swap rate is fixed until September 1, 2028. The long term loan will be amortized for 25 years.

9. CAPITAL LEASE OBLIGATIONS

Minimum lease payments which includes principal and interest under the capital lease obligations are as follows:

2004	$ 293
2005	188
2006	178
2007	85
Total Minimum Lease Payments	744
Less: Interest at 6.3%	(67)
	677
Less: Current Portion	(257)
	$ 420

(in thousands of dollars)

10. LONG TERM DEBT

	2003	2002
Term Loans:		
University Parkade, 6.51%, due July 30, 2004	$ 3,597	$ 3,718
University Parkade, Prime less .75%, due August 1, 2019	856	908
Helen Glass Centre for Nursing, 6.75%, due November 1, 2004	1,157	1,287
*Smartpark Multi Tenant Facility, 6.05% due October 31, 2112	1,491	
	7,101	5,913
Less : Current Portion	(345)	(305)
	$ 6,756	$ 5,608

** Represents debt of Smartpark Development Corporation.*

	2003	2002
Province of Manitoba Capital Advances:		
Urgent Projects:		
5 7/8% due May 20, 2007	$ 482	$ 482
7 1/8% due July 27, 2008	706	706
6 7/8% due December 15, 2009	257	257
6 7/8% due March 31, 2011	555	555
Utility Service Tunnel - 9.3335% due March 31, 2003		2,665
	2,000	4,665
Less: Sinking Fund Assets on Deposit with the Province of Manitoba	(1,958)	(4,490)
	$ 42	$ 175

The fair value of Sinking Fund Assets at March 31, 2003 is $1,886 (2002, $4,416).

Principal repayments on long term debt payable over the next five years are as follows:

	Term Loans	Capital Advances	Total
2004	$ 345	$	$ 345
2005	4,570		4,570
2006	83		83
2007	85	482	567
2008	87	706	793
Thereafter	1,931	812	2,743
	$ 7,101	$ 2,000	$ 9,101

11. EMPLOYEE FUTURE BENEFITS

The University of Manitoba provides certain health, dental, and group life benefits for its retired employees and long term disability benefits for current employees.

The current year benefit income for existing and future retirees of the University is $2,032 (2002, expense of $5,035). This income includes a curtailment gain of $11,743 offset by losses of $3,113. The curtailment gain is a result of plan changes that now require retirees to pay for a portion of the premiums and changes to eligibility of retirees for basic extended life, health, and dental benefits.

The accrued benefit obligation relating to these defined benefit plans is $51,036 as at March 31, 2003 (2002, $55,086). The plan assets relating to these defined benefit plans is $18,719 as at March 31, 2003 (2002, $18,848). The type of assets held are disclosed in note 4.

In the current year, expected claims for extended health and dental benefits were based on the actual rates in effect as of April 1, 2002. Claims cost for extended health benefits were assumed to increase at an annual rate of 8% for the next 8 years and at a rate of 5% thereafter. Claims cost for dental benefits were assumed to increase at an annual rate of 6% for the next 3 years and at an annual rate of 4% thereafter. Group life benefits are expected to increase at a rate of 2.5% per annum. Further, in measuring the University's accrued benefit obligation, the actuary assumed a discount rate of 6.5%.

(in thousands of dollars)

Other information about the University's defined benefit plan is as follows:

Employer contribution	$ 2,768
Employees' contributions	$ 906
Benefits Paid	$ 4,241
Expected return on plan assets	6.50%

12. INTER-FUND ADVANCES AND LOANS

Inter-Fund advances and loans at March 31 are as follows:

	2003	2002
General Operating Fund:		
Due from Trust	$ 36	$ 954
Due from Capital Asset	15,663	4,168
	$ 15,699	$ 5,122
Capital Asset Fund:		
Due to Operating	$ (15,663)	$ (4,168)
Trust Fund:		
Due to Operating	$ (36)	$ (954)

13. INTER-FUND TRANSFERS

Inter-fund transfers from the General Operating Fund include $20,949 (2002, $16,039) of transfers to the Capital Asset Fund to cover the purchase of capital assets and debt servicing costs and $11,144 (2002, $11,269) of transfers to the Specific Provisions Fund to provide future funding for the replacement, improvement or emergency maintenance of capital assets, fiscal stabilization fund and for the early retirement incentive plan. The University's policy is to allow certain academic and administrative units who underspend their budgets in one year to carry over this amount for future years expenditures. As a result, inter-fund transfers also include $6,500 (2002, $1,400) to the Specific Provisions Fund to fund this carry over.

Inter-fund transfers from the Trust Fund include $1,208 (2002, $1,095) of transfers to the Research and Special Fund to cover eligible costs of research and special activities.

Inter-fund transfers from the Research and Special Fund include $4,397 (2002, $4,697) of transfers to the Capital Asset Fund to cover the purchase of capital assets and $1,584 (2002, $1,699) of transfers to the General Operating Fund to cover overhead costs incurred by general operations on research and non-research contracts.

Inter-fund transfers from the Specific Provisions Fund include $1,110 (2002, $901) of transfers to the Capital Asset Fund to cover the purchase of capital assets.

14. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed capital equipment and library books of $2,352 (2002, $862).

15. PENSION PLANS

The University of Manitoba administers the University of Manitoba Pension Plan (1970), The University of Manitoba GFT Pension Plan (1986) and The University of Manitoba Pension Plan (1993). These are trusteed pension plans. The Trustees are responsible for the custody of the Plans' assets and issuance of annual financial statements, which do not form part of the University's financial statements.

The University of Manitoba Pension Plan (1970) and University of Manitoba Pension Plan (1993) are both money purchase plans with a defined benefit minimum. The funding for the plans requires a matching contribution from the University and the employees. The surplus from the Plans and the matching contribution is adequate to fund the Plan and the current level of funding satisfies the requirements of the Manitoba Pensions Benefit Act.

The actuarial present value of accrued pension benefits has been determined using the projected unit credit actuarial cost method, and assumptions developed by reference to expected long-term market conditions. An actuarial valuation effective December 31, 1999 was completed in 2000 by Eckler Partners Ltd., a firm of consulting actuaries. The results of this valuation have been extrapolated by Eckler Partners Ltd. to December 31, 2002. As at December 31, 2002, the University of Manitoba Pension Plan (1970) and The University of Manitoba Pension Plan (1993) were in an actuarial surplus of $774 (2001, $737) and $4,448 (2001, $23,282), respectively. The University cannot access this surplus and as a result, no asset has been recorded.

The actuarial present value of benefits as at December 31 and the principal components of changes in actuarial present values during the year, were as follows:

	2002		2001	
	1993 Plan	1970 Plan	1993 Plan	1970 Plan
Actuarial present value of accrued pension benefits at beginning of year	$ 665,110	$ 14,492	$ 623,175	$ 13,612
Interest accrued on benefits	36,561	384	55,564	1,191
Benefits accrued	22,422	1,211	20,313	1,118
Benefits paid	(36,541)	(1,300)	(33,277)	(1,915)
Actuarial gain/loss	411	1	(665)	486
Actuarial present value of accrued pension benefits at end of year	$ 687,963	$ 14,788	$ 665,110	$ 14,492

The significant long-term assumptions used in the valuation of the accrued pension benefits were a rate of return on assets of 7% per annum, a general rate of salary increase of 2.5% for the first two years and 5% thereafter, and a 6% interest assumption on the basis for converting member accumulations into annuities. However, in preparing the extrapolation the investment return used for 2002 was 2.73%, being the rates of return for those years based on the actuarial asset values.

The actuarial value of net assets available for benefits, has been determined using a five year moving average fair value method. Under this method, the fair value is the underlying basis, but capital gains and losses are amortized over a five year period.

The fair and actuarial values of net assets available for benefits as at December 31 were as follows:

	2002		2001	
	1993 Plan	1970 Plan	1993 Plan	1970 Plan
Fair value of net assets available for benefits	$ 692,411	$ 15,562	$ 737,431	$ 16,314
Fair value changes not reflected in the actuarial value of net assets			(49,039)	(1,085)
Actuarial value of net assets available for benefits	$ 692,411	$ 15,562	$ 688,392	$ 15,229

The University recognized expenses equal to its contributions of $10,806 (2002, $10,112) for the 1970 Plan and for the 1993 Plan for the year ended March 31, 2003. Employee contributions matched the employer contributions.

The next full actuarial valuation of the Plans will be effective December 31, 2003 and will be completed in 2004.

The University of Manitoba GFT Pension Plan (1986) is a defined contribution pension plan, therefore, there is no requirement for an actuarial valuation of this Plan. The University's contributions to this Plan were $1,573 in 2003 (2002 $1,530).

The University approved amendments to the University of Manitoba Pension Plan (1993) to comply with the requirements of Canada Customs Revenue Agency (CCRA) in January 2001. In 2002 CCRA confirmed that this Plan has obtained registered status.

16. COMMITMENTS AND CONTINGENCIES

The University of Manitoba is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE). CURIE pools the property damage and public liability insurance risks of its members. All members pay annual deposit premiums, which are actuarially determined and are subject to further assessment in the event members' premiums and reserves are insufficient to cover losses and expenses. No additional assessment was necessary for the current year.

Contractual commitments relating to construction in progress amount to $13,488 (2002, $7,427).

On March 31, 1997, the University of Manitoba entered into an energy performance contract with MCW Energy Reduction Services Ltd. ("MCW"). Under the terms of a Tri-Party agreement, the University has agreed to the assignment by MCW to Paribas Bank of all right, title and interest in payment of monies by the University under the energy performance contract. This agreement provides remedies to the University and Paribas in the event that MCW defaults on its obligations under the energy performance contract or receivable sale agreement. *The University is contingently* liable for any termination value owing to Paribas existing at the time of default by MCW. The amount of the potential liability, if any, cannot be estimated at this time.

The University of Manitoba is named as a defendant in litigations where action has commenced or is anticipated. While the ultimate outcome of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that the outcome will not have a material effect on the financial position of the University. No provision has been made in the financial statements in respect of these claims, as of March 31, 2003.

17. COMPARATIVE FIGURES

Comparative figures for the year ended March 31, 2002 have been restated, where appropriate, to conform with the presentation adopted for March 31, 2003.

MAGNUS & BUFFIE

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Directors of
Venture Manitoba Tours Ltd.

We have audited the balance sheet of Venture Manitoba Tours Ltd. as at March 31, 2003 and the statements of operations and deficit and cash flow for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2003 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

The March 31, 2002 financial statements were audited by another firm of Chartered Accountants.

Magnus & Buffie

May 30, 2003

CHARTERED ACCOUNTANTS

VENTURE MANITOBA TOURS LTD.
BALANCE SHEET
MARCH 31, 2003

	2003	2002
ASSETS		
CURRENT ASSETS		
Accounts receivable	$ 41,032	$ 94,570
Inventories	169,842	154,983
Prepaid expenses	37,210	61,252
	248,084	310,805
CAPITAL ASSETS (Note 4)	6,125,719	5,774,022
	$ 6,373,803	$ 6,084,827
LIABILITIES		
CURRENT LIABILITIES		
Cheques issued in excess of cash on hand	$ 49,500	$ 89,632
Bank loan (Note 5)	7,685,000	5,855,000
Accounts payable and accrued liabilities	543,953	904,120
Advance deposits	102,109	130,551
Current portion of long term debt (Note 6)	22,000	11,254
Current portion of capital lease obligation (Note 7)	159,000	187,357
Advances from the Province of Manitoba, repayable on demand	250,000	250,000
	8,811,562	7,427,914
LONG TERM DEBT (Note 6)	48,355	30,510
CAPITAL LEASE OBLIGATION (Note 7)	476,827	632,750
	9,336,744	8,091,174
SHAREHOLDERS' DEFICIT		
CAPITAL STOCK (Note 8)	3,643,500	3,643,500
CONTRIBUTED SURPLUS	257,910	257,910
(DEFICIT)	(6,864,351)	(5,907,757)
	(2,962,941)	(2,006,347)
BASIS OF PRESENTATION (Note 2)		
COMMITMENTS (Note 9)		
	$ 6,373,803	$ 6,084,827

APPROVED ON BEHALF OF THE BOARD:

_______________ Director

_______________ Director

VENTURE MANITOBA TOURS LTD.
STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 2003

	2003	2002
SALES	$ 4,390,000	$ 4,577,662
COST OF SALES	3,052,060	3,051,359
CONTRIBUTION MARGIN (Page 9)	1,337,940	1,526,303
OPERATING EXPENSES (Page 10)	1,357,052	1,304,679
(LOSS) INCOME BEFORE THE FOLLOWING	(19,112)	221,624
OTHER EXPENSE (INCOME)		
Amortization	655,563	560,587
Interest expense	324,465	277,578
Gain on disposal of capital assets	(42,546)	(34,543)
	937,482	803,622
NET (LOSS) FOR THE YEAR	(956,594)	(581,998)
(DEFICIT), beginning of year	(5,907,757)	(5,325,759)
(DEFICIT), end of year	$(6,864,351)	$(5,907,757)

VENTURE MANITOBA TOURS LTD.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2003

	2003	2002
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Cash receipts from customers	$ 4,443,538	$ 4,603,956
Cash paid to suppliers and employees	(4,745,238)	(4,221,103)
Interest paid	(324,465)	(277,578)
	(626,165)	105,275
FINANCING ACTIVITIES		
Bank loan	1,830,000	890,000
Capital lease obligation	(184,280)	(140,957)
Issuance of long term debt	41,577	45,493
Repayment of long term debt	(12,986)	(3,729)
	1,674,311	790,807
INVESTING ACTIVITIES		
Capital asset additions	(1,061,689)	(1,026,408)
Proceeds on disposal of capital assets	53,675	67,112
	(1,008,014)	(959,296)
CHANGE IN CASH	40,132	(63,214)
CASH, beginning of year	(89,632)	(26,418)
CASH, end of year	$ (49,500)	$ (89,632)

VENTURE MANITOBA TOURS LTD.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

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1. ORGANIZATION

The Company is incorporated under the Manitoba Corporations Act. The issued shares are owned by the Province of Manitoba.

The Province of Manitoba owns Hecla Golf Course and the Gull Harbour Resort and Conference Centre. The Company operates these facilities under lease agreements with the Province. These facilities are situated in the Hecla Provincial Park and are not subject to realty taxes.

The Province of Manitoba also owns the Falcon Lake Golf Course and Games Area. The Company operates this facility under a lease agreement with the Province of Manitoba. The Company is responsible for the operating costs of the golf course and games area and, in return, will realize the revenue generated by their operations. These facilities are situated in the Whiteshell Provincial Park and are not subject to realty taxes.

The Company is not subject to income tax.

2. BASIS OF PRESENTATION

These financial statements have been prepared using the assumption that the Company will continue operating as a going concern. As the Company has incurred substantial losses resulting in a significant deficit and working capital deficiency, the ability of the Company to continue operating as a going concern is dependent on continued financial support from the Province of Manitoba. Should the Province not continue to provide financial support, the Company may not be able to continue operating as a going concern and the net realizable value of the assets may be substantially less than their carrying values.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Inventories

Inventories are valued at the lower of cost (based on the first-in, first-out method) and net realizable value.

(b) Capital assets

Capital assets are recorded at cost, less applied grant funds and are amortized over their estimated useful lives based on the straight-line method as follows:

Building additions	40 years
Leasehold improvements	5 to 40 years
Furniture and fixtures	10 years
Staff quarters	10 to 25 years
Parking lot	25 years
Golf course improvements	10 to 40 years
Computer equipment	3 years
Vehicles	3 years
Equipment under capital lease	5 years

These financial statements do not include the capital assets of the Hecla Golf Course, Falcon Lake Golf Course and Games Area and part of the Gull Harbour Resort and Conference Centre which are owned by Province of Manitoba.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(c) Non-monetary transactions

Non-monetary exchanges of services are recorded at the fair market value of the services provided or received.

(d) Financial instruments

It is management's opinion that the carrying value of the Company's financial instruments approximates their fair value and that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

(e) Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2003	Net Book Value 2002
Building additions	$ 3,147,465	$ 836,304	$ 2,311,161	$ 1,109,029
Leasehold improvements	1,718,284	587,096	1,131,188	1,182,356
Furniture and fixtures	1,945,458	1,686,726	258,732	270,336
Staff quarters	642,479	264,490	377,989	402,136
Parking lot	362,687	102,218	260,469	274,976
Golf course improvements	855,891	93,428	762,463	722,313
Computer equipment	233,557	202,326	31,231	10,324
Vehicles	1,331,361	962,623	368,738	303,713
Equipment under capital lease	823,014	199,266	623,748	831,333
Construction in process	-	-	-	667,506
	$11,060,196	$ 4,934,477	$ 6,125,719	$ 5,774,022

During the year, the amounts previously included in construction in process were allocated to building additions as the project is substantially complete.

5. BANK LOAN

The bank loan is due on demand, accrues interest at the prime rate and is guaranteed by the Province of Manitoba to a maximum of $7,890,000 (2002 - $7,190,000).

VENTURE MANITOBA TOURS LTD.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

6. LONG TERM DEBT

	2003	2002
Loan payable, GMAC - repayable in monthly instalments of $965, including interest at 0.9%, due November 2005, secured by specified equipment.	$ 30,510	$ 41,764
Loan payable, GMAC - repayable in monthly instalments of $866, non-interest bearing, due January 2007, secured by specified equipment.	39,845	-
	70,355	41,764
Less: Current portion	22,000	11,254
	$ 48,355	$ 30,510

7. CAPITAL LEASE OBLIGATION

The Company has entered into lease arrangements to acquire certain equipment which have been accounted for by recording the assets as equipment under capital lease with the corresponding obligation under capital leases. The obligation under capital leases represents the minimum lease payments payable net of imputed interest.

The minimum lease payments required are as follows:

Year	Amount
2004	$ 179,568
2005	167,490
2006	167,490
2007	167,490
Total minimum lease payments	682,038
Less: Amount representing interest	46,211
Capital lease obligation	635,827
Less: Current portion	159,000
	$ 476,827

8. CAPITAL STOCK

Authorized
Unlimited common shares

	2003	2002
Issued 3,643,500 common shares	$ 3,643,500	$ 3,643,500

9. COMMITMENTS

(a) The Company operates the Gull Harbour Resort and Conference Centre, the Hecla Golf Course, and the Falcon Lake Golf Course and Games Area under lease agreements with the Province of Manitoba. During the year lease payments of $139,913 (2002 - $133,643) were due to the Province. At year end, accounts payable include $269,242 (2002 - $353,800) relating to the lease agreement with the Province. Management's intention is to renegotiate the leases as the agreements have expired.

(b) The Company rents space and equipment under various operating leases which expire through 2005.

The future minimum lease payments under these operating leases for the remaining lease terms are approximately as follows:

Year	Amount
2004	$ 23,000
2005	15,000
2006	6,400
2007	6,400
2008	5,300
	$ 56,100

10. GOVERNMENT REPORTING ENTITY - RELATED PARTIES

The following information is presented in accordance with a request by the Minister of Finance of The Government of the Province of Manitoba.

During fiscal 2003, the Company transacted with the following three entities in the Government Reporting Entity above the specified level of $100,000. Expenses of $146,783 (2002 - $143,495) were incurred from Manitoba Hydro and $159,349 (2002 - $150,431) from the Manitoba Liquor Control Commission. Lease expenses of $139,913 (2002 - $133,643) were incurred from Manitoba Natural Resources. Sales include $108,654 (2002 - $159,868) from Manitoba Hydro.

As at March 31, 2003, the Company had the following balances with entities in the Government Reporting Entity:

	2003	2002
Payable to:		
Manitoba Hydro	$ 940	$ 19,427
Department of Natural Resources	269,242	353,800
Department of Finance - Insurance and Risk Management	19,520	11,770
Department of Finance - Provincial Sales Tax	6,102	9,476
Manitoba Government Services - construction contract	-	148,704
	$ 295,804	$ 543,177
Prepaid expenses:		
Manitoba Government Services - construction contract	$ -	$ 41,341

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
One Lombard Place
Suite 2300
Winnipeg, Manitoba
Canada R3B 0X6
Telephone +1(204) 926-2400
Facsimile +1 (204) 944-1020

May 23, 2003

Auditors' Report

To the Membership of
Winnipeg Child And Family Services

We have audited the balance sheet of **Winnipeg Child And Family Services** (the Agency) as at March 31, 2003 and the statements of revenue, expenses and fund balance - Operating Fund; revenue, expenses and fund balance - Family Support Innovations Fund; revenue, expenses and fund balance - Capital Fund; revenue, expenses and fund balance - Trust Fund; and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Winnipeg Child and Family Services as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies described in note 2 to the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Winnipeg Child And Family Services

Balance Sheet

As at March 31, 2003

	2003 $	2002 $
Assets		
Current		
Cash (note 6)	1,013,541	2,508,648
Accounts receivable		
Province of Manitoba	4,404,591	2,874,463
Other	285,897	296,318
Prepaid expenses	53,435	66,490
	5,757,464	5,745,919
Investment - GIC, at cost	216,706	215,810
Capital assets (note 5)	1,451,355	1,556,996
Province of Manitoba vacation pay receivable (note 2)	2,780,438	2,846,898
	10,205,963	10,365,623
Liabilities		
Current		
Accounts payable	5,500,843	5,448,586
Current portion of long-term debt (note 7)	29,731	33,186
	5,530,574	5,481,772
Accrued vacation pay (note 2)	2,780,438	2,846,898
Long-term debt (note 7)	239,980	194,124
Deferred grant funding	198,163	204,047
	8,749,155	8,726,841
Fund balances (note 3)	1,456,808	1,638,782
	10,205,963	10,365,623

Approved by the Assistant Deputy Minister, Child and Family Services Division - Manitoba Department of Family Services and Housing

Patricia Benson for Peter [illegible]

Winnipeg Child And Family Services

Statement of Revenue, Expenses and Fund Balance - Operating Fund

For the year ended March 31, 2003

	2003 $	2002 $
Revenue		
Provincial grants and billings	88,955,009	90,365,267
Winnipeg Foundation	-	45,000
Other income	1,209,552	819,500
	90,164,561	91,229,767
Expenses		
Foster care and special rate care	51,678,494	51,321,435
Salaries and benefits	31,303,936	32,605,069
Office operations	1,125,717	1,226,819
Rent and maintenance	1,502,057	1,520,554
Travel	1,281,099	1,240,082
Professional fees	902,576	886,222
Other program expenses	1,788,106	2,238,055
	89,581,985	91,038,236
Excess of revenue over expenses	582,576	191,531
Fund balance - Beginning of year	-	-
Interfund transfers		
Transfer (to) from Family Support Innovations Fund (note 4)	(391,595)	15,252
Transfer to Capital Fund for loan payments and assets purchases (note 4)	(190,981)	(206,783)
	(582,576)	(191,531)
Fund balance - End of year	-	-

Winnipeg Child And Family Services

Statement of Revenue, Expenses and Fund Balance - Family Support Innovations Fund

For the year ended March 31, 2003

	2003 $	2002 $
Revenue		
Provincial grant	451,600	886,532
Expenses		
Salaries and benefits	809,827	839,473
Travel	30,539	28,313
Office operations	1,715	1,574
Other program expenses	1,114	1,295
Training costs	-	625
	843,195	871,280
Excess (deficiency) of revenue over expenses	(391,595)	15,252
Fund balance - Beginning of year	-	-
Transfer from (to) Operating Fund (note 4)	391,595	(15,252)
Fund balance - End of year	-	-

Winnipeg Child And Family Services

Statement of Revenue, Expenses and Fund Balance - Capital Fund

For the year ended March 31, 2003

	2003 $	2002 $
Revenue		
Gain on sale of capital assets	35,631	-
Expenses		
Amortization of capital assets	374,653	442,296
Deficiency of revenue over expenses	(339,022)	(442,296)
Fund balance - Beginning of year	1,329,686	1,565,199
Transfer from Operating Fund for loan payments and assets purchases (note 4)	190,981	206,783
Fund balance - End of year	1,181,645	1,329,686

Winnipeg Child And Family Services

Statement of Revenue, Expenses and Fund Balance - Trust Fund

For the year ended March 31, 2003

	2003 $	2002 $
Revenue		
Donations	272,646	355,063
Expenses		
Program expenses	306,579	204,366
Excess (deficiency) of revenue over expenses	(33,933)	150,697
Fund balance - Beginning of year	309,096	158,399
Fund balance - End of year	275,163	309,096

Winnipeg Child And Family Services

Statement of Cash Flows

For the year ended March 31, 2003

	2003 $	2002 $
Cash flows from operating activities		
Cash received from the Province	87,942,941	94,106,540
Cash received from other sources	1,489,250	1,367,906
Cash payments to foster parents, collaterals, employees and suppliers	(90,738,790)	(91,674,067)
	(1,306,599)	3,800,379
Cash flows from financing activities		
Mortgage principal repayments	(36,349)	(33,187)
Mortgage proceeds received	78,750	-
	42,401	(33,187)
Cash flows from investing activities		
Purchase of capital assets	(269,013)	(173,596)
Purchase of investments	(896)	(116,298)
Proceeds received on sale of capital assets	39,000	-
	(230,909)	(289,894)
Increase (decrease) in cash	(1,495,107)	3,477,298
Cash (bank indebtedness) - Beginning of year	2,508,648	(968,650)
Cash - End of year	1,013,541	2,508,648

1 Purpose of the organization

Winnipeg Child and Family Services (the Agency) is an agency entrusted under the Child and Family Services Act to provide services that help families, services that protect children at risk of abuse and neglect, services to children in care, and adoption services.

2 Significant accounting policies

The Agency follows the accounting policies described below.

Basis of accounting

Effective April 1, 2003, the Agency will cease operations and all assets and liabilities of the Agency will be transferred to other Manitoba provincial government agencies. These financial statements have been prepared on the basis that the assets and liabilities will be transferred at recorded book value and that the Province of Manitoba will assume the liability for the vacation pay entitlements and pension costs.

Change in accounting - vacation pay accrued

The Agency is now recognizing a liability with respect to vacation pay entitlements that have not yet been taken and deferring of accruing provincial grants with respect to movements in this liability. Consequently, the Agency has recorded a receivable from the Province in the same amount as an accrued vacation pay liability as at March 31, 2003 and with effect retroactively with restatement of the prior year. This change has no net impact on the statements of revenue, expenses and fund balance but decreased (2002 increased) reported provincial grants and decreased (2002 increased) salaries and benefits by the same amount overall. At March 31, 2003, the vacation pay liability and corresponding receivable from the Province of Manitoba was $2,780,438 (2002 - $2,846,898). Vacation pay entitlements are to be recorded as a component of salary costs in the year the vacation entitlements are earned.

Capital assets

Capital expenditures funded by the Operating Fund are recorded as a transfer in the Operating Fund in the year of acquisition and recorded at cost in the Capital Fund.

Amortization of capital assets

The cost of capital assets is amortized at the following rates:

i) Houses and office buildings - amortized over 25 years or the amortization period determined in the terms of the mortgage, whichever is shorter, on a straight-line basis
ii) Furniture, leaseholds and equipment - amortized over 5 years on a straight-line basis
iii) Computer equipment and software - amortized over 5 years on a straight-line basis

Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue when received in the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating Fund and other general funds in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Pension costs

The Agency is a member of the United Way and Participating Affiliated Agencies Employees' Retirement Plan, a multi-employer defined benefit plan. Pension costs are recorded in the financial statements equal to the required annual contributions determined by the Plan's Board of Trustees, based on periodic actuarial valuations. Pension expense for the year was $899,072 (2002 - $883,704). The last actuarial valuation, completed at December 31, 2002, indicated a deficit in the Plan.

3 Fund balances

The Agency follows the restricted fund method of accounting for contributions. The Agency maintains the following funds:

Operating Fund

Funds designated for the delivery of social services to children and families.

Family Support Innovations Fund

Restricted funds designated to cover the cost of service initiatives which resulted in reductions in Agency day care, expenditures and children in care through family focused services as well as adoption and long-term fostering.

Capital Fund

Funds designated for capital expenditures.

Trust Fund

Restricted funds designated for special purposes.

	2003 $	2002 $
Fund balances		
Invested in capital assets	1,181,645	1,329,686
Externally restricted		
Trust Funds	275,163	309,096
	1,456,808	1,638,782

4 Interfund transfers and balances

During the year, $391,595 (2002 - $15,252) was transferred from the Operating Fund to the Family Support Innovations Fund in order to fund program expenses. In addition, $190,981 (2002 - $206,783) was transferred from the Operating Fund to the Capital Fund in order to fund cash outlays for capital asset acquisitions and debt service.

Interfund balances have no fixed terms of repayment and do not bear interest.

5 Capital assets

	2003		2002	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Houses and office buildings	1,698,807	711,484	1,643,245	682,808
Furniture, leaseholds and equipment	2,020,966	1,704,387	1,879,681	1,528,057
Computer equipment and software	1,659,735	1,512,282	1,637,353	1,392,418
	5,379,508	3,928,153	5,160,279	3,603,283
Net book value	1,451,355		1,556,996	

6 Bank indebtedness

The Agency has an operating line with its banker for up to $3,000,000. Interest is payable monthly at the bank prime rate. The operating line is secured by a general assignment of book debts, a borrowing resolution and confirmation of funding from the Province.

7 Long-term debt

	2003 $	2002 $
408 Atlantic Avenue 10% mortgage, payable $618 monthly including principal and interest, due June 1, 2004, secured by a first mortgage on land and building	37,315	43,056
544 Aberdeen Avenue 10% mortgage, payable $601 monthly including principal and interest, due June 1, 2004, secured by a first mortgage on land and building	47,586	50,972
665 Atlantic Avenue 10% mortgage, payable $599 monthly including principal and interest, due June 1, 2004, secured by a first mortgage on land and building	28,851	35,920
487/489 Cathedral Avenue 6.8% mortgage, payable $711 monthly including principal and interest, due March 1, 2004, secured by a first mortgage on land and buildings	590	8,778
36 Alloway Avenue 7.35% mortgage, payable $429 monthly including principal and interest, due December 1, 2005, secured by a first mortgage on land and buildings	27,871	30,884
Carried forward	142,213	169,610

	2003 $	2002 $
Brought forward	142,213	169,610
141 Canora Street 7.5% mortgage, payable $508 monthly including principal and interest, due September 1, 2005, secured by a first mortgage on land and building	32,470	36,027
486 Dominion Street 6.85% mortgage, payable $526 monthly including principal and interest, due March 1, 2006, secured by a first mortgage on land and building	16,672	21,673
890 Inkster Boulevard 5.39% mortgage, payable $476 monthly including principal and interest, due December 1, 2007, secured by a first mortgage on land and building	78,356	-
	269,711	227,310
Less: Principal payment due within one year	29,731	33,186
	239,980	194,124

The fair value of the mortgages, demand loan, and variable rate commercial loan are not materially different from their carrying values.

Principal payments due within the next five years are approximately as follows:

	$
Year ending March 31, 2004	29,731
2005	110,499
2006	55,846
2007	1,574
2008	72,061
	269,711

8 Lease commitments

The Agency leases properties under long-term operating leases which expire at various dates to 2012. There are options to renew certain of these leases. The future minimum lease payments under these operating leases for the next five years are as follows:

	$
Year ending March 31, 2004	1,177,651
2005	696,700
2006	362,666
2007	135,492
2008	135,492
	2,508,001

9 Contingencies

There are various legal claims against the Agency which, in the opinion of management, will be resolved with no material adverse effect on the Agency.

10 Comparative figures

Certain comparative figures have been restated to conform to the current year's presentation.

GOVERNMENT ENTERPRISES

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba

We have audited the balance sheet of Leaf Rapids Town Properties Ltd. as at March 31, 2003 and the statements of earnings and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
September 12, 2003

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 1

BALANCE SHEET

MARCH 31

	2003	2002
ASSETS		
CURRENT		
Cash and short term deposits	$ 1,384,486	$ 1,453,782
Accounts receivable	23,622	59,211
GST receivable	4,855	
Prepaid expenses	11,617	6,069
Current portion of note receivable *(Note 3)*		11,944
	1,424,580	1,531,006
DEVELOPED LOTS HELD FOR RESALE *(Note 2(c))*	1	1
NOTE RECEIVABLE *(Note 3)*	1	1
CAPITAL ASSETS *(Note 4)*	1	1
	$ 1,424,583	$ 1,531,009
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 149,358	$ 151,618
Deferred revenue	10,227	23,972
GST payable		4,738
Current portion of obligation under capital lease		5,411
	159,585	185,739
LONG TERM DEBT *(Note 6)*	1,498,577	1,498,577
	1,658,162	1,684,316
SHAREHOLDERS' DEFICIT		
SHARE CAPITAL *(Note 5)*	2,621,100	2,621,100
DEFICIT	(2,854,679)	(2,774,407)
	(233,579)	(153,307)
	$ 1,424,583	$ 1,531,009

Approved on behalf of the Board:

Director

Director

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 2

STATEMENT OF EARNINGS AND DEFICIT

YEAR ENDED MARCH 31

	2003	2002
REVENUE		
Rentals	$ 88,228	$ 256,058
Cost recoveries	471,745	585,901
	559,973	841,959
EXPENSES		
Administration fees and expenses	22,496	56,773
Amortization		81,254
Bad debts	(4,778)	8,037
Insurance	37,871	39,389
Janitorial	54,880	58,973
Professional fees	8,052	3,600
Property taxes	93,329	91,356
Repairs and maintenance	145,743	86,592
Salaries and benefits	161,083	158,595
Snow removal	5,925	7,400
Sundry	1,155	2,460
Supplies and office	16,150	28,459
Telephone	6,746	10,632
Utilities	109,683	106,207
Vehicle and travel	20,247	26,492
	678,582	766,219
OTHER (EXPENSE) REVENUE		
Corporation capital tax	(2,217)	(3,749)
Interest, net *(Note 7)*	33,665	(10,233)
Management and consulting fees		(11,377)
Other	6,889	500
	38,337	(24,859)
EARNINGS BEFORE WRITE DOWN OF ASSETS	(80,272)	50,881
Write down of capital assets *(Note 9)*		(320,554)
Write down of note receivable *(Note 3)*		(49,687)
Write down of other assets *(Note 9)*		(111,981)
NET EARNINGS (LOSS) FOR YEAR	(80,272)	(431,341)
DEFICIT, *beginning of year*	(2,774,407)	(2,343,066)
DEFICIT, *end of year*	$ (2,854,679)	$ (2,774,407)

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 3

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2003	2002
CASH FLOW FROM		
OPERATING ACTIVITIES		
Net (loss) income	$ (80,272)	$ (431,341)
Items not involving cash:		
Amortization		81,254
Write down of capital assets to net realizable value (note 9)		320,554
Write down of note receivable from Leaf Rapids Community Development Corporation (note 3)		49,687
Write down of other assets (note 9)		111,981
	(80,272)	132,135
Net change in non-cash operating working capital:		
Accounts receivable	35,589	(56,898)
GST payable	(9,593)	5,837
Prepaid expenses	(5,548)	(22,425)
Accounts payable and accrued liabilities	(2,260)	21,012
Deferred revenue	(13,745)	(11,403)
	4,443	(63,877)
	(75,829)	68,258
INVESTING ACTIVITIES		
Additions to capital assets		(63,735)
Note receivable from Leaf Rapids Community Development Corporation	11,944	12,649
	11,944	(51,086)
FINANCING ACTIVITIES		
Payments on capital lease	(5,411)	(4,726)
NET INCREASE (DECREASE) IN CASH DURING YEAR	(69,296)	12,446
CASH, *beginning of year*	1,453,782	1,441,336
CASH, *end of year*	$ 1,384,486	$ 1,453,782
CASH COMPRISED OF		
Cash	$ 64,793	$ 76,784
Short term investments	1,319,693	1,376,998
	$ 1,384,486	$ 1,453,782

1. NATURE OF OPERATIONS

Leaf Rapids Town Properties Ltd. was incorporated in 1971 under The Manitoba Companies Act. It was charged with the responsibility for the planning, design and development of the community of Leaf Rapids. Since the completion of the development, the Corporation has managed, leased and operated its physical assets and properties in Leaf Rapids.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's financial statements have been prepared using Canadian generally accepted accounting principles. The significant accounting policies are as follows:

(a) *Management Estimates:*

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the period in which they became known.

(b) *Capital Assets*

Capital assets are stated at cost, less accumulated amortization and write downs. Certain capital assets were written down in 2000 to their net realizable value. As well, in 2002, land, buildings and equipment were written down to reflect the reduction in their useful lives as explained in note 9. Accordingly, there is no amortization for 2003.

(c) *Developed Lots*

Developed lots held for resale were written down, in a previous year, to a nominal value of $1. Property taxes and any other related costs are charged to operations.

(d) *Pension Expense*

The Corporation participates in a multi-employer pension plan. Pension expense is equal to the Corporation's annual funding of the pension plan. The annual funding is based on the Corporation matching the employees required contributions.

3. NOTE RECEIVABLE

In 2001, the Corporation provided financing to the Leaf Rapids Community Development Corporation for the renovations to the dental clinic. Effective March 31, 2002, the terms of the repayment were renegotiated to those shown below. The note receivable was written down in 2002 by $49,687 to reflect the uncertainty regarding the ultimate collection of the note receivable due to the closure of the Ruttan Mine, as explained in note 9, and the effect that this closure may have on the population base of the town.

	2003	2002
Note receivable, non-interest bearing, repayable in monthly installments of $995, due May, 2007	$ 1	$ 61,632
Less:		
Write down		49,687
Current portion of note receivable		11,944
	$ 1	$ 1

4. CAPITAL ASSETS

	Cost	Accumulated Write Down	Accumulated Amortization	2003	2002
Commercial Properties					
Land	$ 478,766	$ 478,765	$	$ 1	$ 1
Building	1,627,110	561,919	1,065,191		
Equipment	14,246	4,110	10,136		
Non-Commercial Properties					
Land	414,692	414,692			
Building	4,701,479		4,701,479		
Other Property					
Land	82,301	82,301			
Building	857,752	321,652	536,100		
Equipment	201,311	60,217	141,094		
	$ 8,377,657	$ 1,923,656	$ 6,454,000	$ 1	$ 1

5. SHARE CAPITAL

	2003	2002
Authorized -		
40,000 common shares, not to exceed $40,000		
26,210 8.15% non-cumulative, redeemable, preferred voting shares, not to exceed $2,621,000 with a redemption price of $100 per share		
Issued and fully paid -		
100 common shares	$ 100	$ 100
26,210 preferred shares	2,621,000	2,621,000
	$ 2,621,100	$ 2,621,100

Ownership: All issued shares are held by the Minister of Finance of the Province of Manitoba.

6. LONG TERM DEBT

Long term debt payable to the Province of Manitoba consists of $1,498,577 in 10% income debentures, secured by a floating charge on all assets of the corporation. Annual installments against this debt are determined based on one-half of the prior year's cash flow from operations. Cash flow is defined as net income from operations, plus amortization expense, less the installment amount paid in the year.

Interest expense is recorded as an accrual each year and, based on the required annual installment that becomes due and payable subsequent to each fiscal year. If the required annual installment exceeds 10% of the outstanding long term debt, the amount of the require annual installment in excess of 10% of the outstanding long term debt is applied against the outstanding long term debt principal and the remainder is recorded as interest expense. If the required annual installment is less than 10% of the outstanding long term debt, the full amount of the installment is recorded as interest expense. The difference between that recorded interest expense and 10% of the long term debt is not recorded and is non-cumulative. For the year ended March 31, 2003, the accrued interest expense amounted to $0.00. The difference between the interest expense of $0.00 and 10% of the long term debt is $149,858.

7. INTEREST EXPENSE (NET)

	2003	2002
Interest expense	$	$ (63,018)
Interest revenue	33,665	52,785
	$ 33,665	$ (10,233)

8. RELATED PARTY TRANSACTIONS

As stated in note 5, all issued shares of the Corporation are held by the Minister of Finance of the Province of Manitoba. In addition, the long term debt and related interest described in note 6 are payable to the Province of Manitoba. The interest income described in note 6 is earned on short term deposits held by the Province of Manitoba. The Corporation also has the following balances with the Province of Manitoba and its agencies reflected in these financial statements as at March 31, 2003. These transactions and balances are in the normal course of operations and are measured at the exchange amount agreed to by the related parties.

	2003	2002
Short term deposits	$ 1,319,693	$ 1,376,998
Accounts receivable	4,393	3,424
Accounts payable	77,758	85,590

9. WRITE DOWN OF ASSETS TO NET REALIZABLE VALUE

The viability of the Corporation has depended on the ongoing successful operation of the Ruttan Mine. Based on information known in 2000, existing ore reserves were expected to continue for another four years. Accordingly, in 2000, management wrote down certain capital assets to reflect this uncertainty. In 2000, the Corporation determined the net realizable value of the Town Centre land to be $100,000, the equivalent of the maximum price it would receive should it sell the land. Accordingly in 2000, the Town Centre land was written down by $123,996. The industrial park land, the mobile home park land, the Town Centre buildings and the commercial buildings were written down in 2000 to estimated future cash flows from operations. The cost of these assets was written down in 2000 by $1,064,414.

On October 29, 2001, the owner of the Ruttan Mine announced that it would be shutting down the mine in May, 2002. A number of alternatives are currently being reviewed by the Town of Leaf Rapids for the utilization of the mine and/or the utilization of available housing in the Town. The ongoing viability of the Corporation will depend on the outcome of the implementation of the alternatives currently being reviewed.

In 2002, the cost of land, buildings and equipment was written down by $320,554 to reflect the reduction in their useful lives due to the closing of the Ruttan Mine. As well, due to the mine closure and the effect that this will have on the economy of Leaf Rapids, the following asset write downs, totalling $111,981 were made in 2002:

a) the allowance for doubtful accounts receivable was increased by $67,775 to reflect the uncertainty of the ultimate collection of the accounts receivable;

b) the carrying values of prepaid expenses and maintenance inventory were written down by $21,977 and $22,229 respectively to reflect the uncertainty regarding the future benefit of these assets.

10. FINANCIAL INSTRUMENTS

a) *Credit Risk*

The Corporation is exposed to credit risk on the accounts receivable from its customers. An allowance for doubtful accounts has been established by the Corporation, based upon factors surrounding the credit risk of specific customers, historical records and other information.

b) *Fair Value*

Due to the short term nature of all financial instruments, other than long term debt, the carrying values as presented in the financial statements are reasonable estimates of fair value. As is true for all estimates, actual fair value could differ from this estimate and, if so, any differences would be accounted for in the period in which it becomes known. For long term debt, it is not practical within constraints of timeliness or cost to determine the fair value with sufficient reliability because the instruments are not traded in an organized financial market.

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Board of Commissioners
The Liquor Control Commission

We have audited the balance sheet of **The Liquor Control Commission (an Agency of the Government of the Province of Manitoba)** as at March 31, 2003 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of The Liquor Control Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of **The Liquor Control Commission** as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Winnipeg, Canada
May 9, 2003

Grant Thornton LLP
Chartered Accountants

The Liquor Control Commission
Statement of Income

(In Thousands)

Year Ended March 31	2003	2002
Sales	$ 434,980	$ 422,604
Cost of sales	229,532	223,464
Gross profit	205,448	199,140
Other income (Note 5)	7,133	5,576
	212,581	204,716
General and administrative expenses (Note 6)	44,127	39,938
Operating profit before depreciation	168,454	164,778
Depreciation (Notes 2 and 7)	2,107	1,462
Net profit paid or payable to the Province of Manitoba	$ 166,347	$ 163,316

See accompanying notes to the financial statements.

The Liquor Control Commission
Balance Sheet

(In Thousands)

March 31	2003	2002
Assets		
Current		
Cash and cash equivalents	$ 12,146	$ 14,685
Accounts receivable - Province of Manitoba	1,375	1,375
Accounts receivable - claims and other	596	715
Inventory (Note 4)	17,831	17,630
Prepaids expenses and supplies	775	797
	32,723	35,202
Fixed assets (Note 7)	10,344	8,018
Long-term commitments - Province of Manitoba (Notes 8 and 9)	43,897	40,638
	$ 86,964	$ 83,858
Liabilities		
Current		
Accounts payable - trade and other	$ 14,985	$ 16,274
Goods and services tax payable	1,123	2,060
Manitoba retail sales tax payable	942	992
Net profit payable to the Province of Manitoba	20,247	18,216
Environmental protection tax payable	116	121
Deferred licence fees	512	523
	37,925	38,186
Long-term		
Provision for employee pension benefits (Note 8)	40,733	37,473
Provision for retirement allowances (Note 9)	3,806	3,699
Non-interest bearing working capital advance provided by the Province of Manitoba	4,500	4,500
	$ 86,964	$ 83,858

See accompanying notes to the financial statements.

The Liquor Control Commission
Statement of Cash Flows

(In Thousands)

Year Ended March 31	2003	2002
Increase (decrease) in cash and cash equivalents		
Operating activities		
Cash receipts		
Sales - spirits, wine, coolers/ciders and beer	$ 434,980	$ 422,604
Annual and supplementary licence fees and other	3,986	3,894
Goods and services tax	30,660	29,833
Manitoba retail sales tax	13,156	12,572
Manitoba WRAP tax	431	409
Environmental protection tax	1,713	1,653
	484,926	470,965
Cash disbursements		
Purchases - merchandise, federal duty, excise and sales taxes, etc.	229,907	221,408
General and administrative expenses	41,905	37,094
Goods and services tax	31,598	29,802
Manitoba retail sales tax	13,206	12,463
Manitoba WRAP tax	432	406
Environmental protection tax	1,718	1,644
	318,766	302,817
Net cash available from operating activities	166,160	168,148
Investing activities		
Acquisition of fixed assets	(4,383)	(3,792)
Net cash available for transfer	161,777	164,356
Transfers to Province of Manitoba		
Current year's net profit	146,100	145,100
Prior year's net profit	18,216	16,113
	164,316	161,213
(Deficiency) excess of cash receipts over disbursements and transfers	(2,539)	3,143
Cash and cash equivalents, beginning of year	14,685	11,542
Cash and cash equivalents, end of year	$ 12,146	$ 14,685

See accompanying notes to the financial statements.

The Liquor Control Commission

Schedule of Sales, Cost of Sales and Gross Profit

(In Thousands)
Year Ended March 31, 2003

	Spirits	Wine	Coolers/ Ciders	Beer	Total
Sales					
Stores	$ 105,633	$ 48,062	$ 8,946	$ 24,304	$ 186,945
Liquor vendors	29,487	5,628	2,986	3,665	41,766
Licensees	19,080	3,677	2,920	170,803	196,480
Specialty wine stores		9,736	53		9,789
Total sales for 2003	**$ 154,200**	**$ 67,103**	**$ 14,905**	**$ 198,772**	**$ 434,980**
Total sales for 2002	$ 153,595	$ 62,811	$ 12,697	$ 193,501	$ 422,604
Cost of sales					
Total cost of sales for 2003	**$ 61,732**	**$ 31,710**	**$ 7,766**	**$ 128,324**	**$ 229,532**
Total cost of sales for 2002	$ 61,555	$ 30,011	$ 6,700	$ 125,198	$ 223,464
Gross profit for 2003	**$ 92,468**	**$ 35,393**	**$ 7,139**	**$ 70,448**	**$ 205,448**
Gross profit for 2002	$ 92,040	$ 32,800	$ 5,997	$ 68,303	$ 199,140
Gross profit as a percentage of sales for 2003	**60.0%**	**52.7%**	**47.9%**	**35.4%**	**47.2%**
Gross profit as a percentage of sales for 2002	59.9%	52.2%	47.2%	35.3%	47.1%

See accompanying notes to the financial statements.

The Liquor Control Commission
Notes to the Financial Statements

(In Thousands)
March 31, 2003

1. Nature of organization

The Liquor Control Commission was formed in 1923 as an agency of the Government of Manitoba under the Government Liquor Control Act. The Commission's mandate is to purchase, sell and regulate alcoholic beverages; to determine locations for retail liquor outlets; to licence and regulate facilities used by the consuming public; to provide revenue to the Province from the activities of the Commission; and to do all such things necessary to effect the provisions of The Liquor Control Act.

2. Significant accounting policies

a. Cash and cash equivalents include cash on hand, balances with banks and outstanding electronic fund transfers.

b. Inventories of goods for resale are valued at cost.

c. Depreciation is provided on the declining balance basis at the following annual rates:

Automobiles	30%
Equipment and furnishings	20%
Paving	8%
Systems development	30%

Leasehold improvements are depreciated on a straight line basis over the remaining term of the lease or a minimum of five years.

d. Pension costs

Substantially all of the employees of the Liquor Control Commission are eligible for pension benefits in accordance with the provision of the Civil Service Superannuation Act administered by the Civil Service Superannuation Board. Plan members will receive benefits based on the length of services and on the average of annualized earnings calculated on the best five years prior to retirement, termination, or death, that provides the highest earnings.

Pension costs, included in salaries, benefits and pension costs, consist of the employer's share of pension benefits paid to retired employees, as well as the increase in unfunded pension liabilities during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by formula provided by the actuary as detailed in Note 8.

e. Other income

Other income includes funding from the Province of Manitoba for the Commission's share of provisions provided for unfunded pension liabilities.

2. Significant accounting policies (continued)

f. The Commission's financial instruments consist of cash, accounts receivable, amounts due to a related party and accounts payable. It is management's opinion that the Commission is not exposed to interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

g. Use of estimates

In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Adjustments to provisions for employee pension benefits

During the year, it was determined that a provision for employee pension benefits was over accrued in prior years. The comparative figures have been restated to reflect a reduction in the liability by $3,441, and a matching reduction in the offsetting receivable for long-term commitments - Province of Manitoba. $251 of the reduction relates specifically to the 2002 fiscal year, with the balance relating to years prior to 2002. Such changes do not affect the net profit paid or payable to the Province of Manitoba.

In addition, the 2003 financial statements reflect the results of the December 31, 2001 actuarial valuation. The valuation resulted in a $1,322 increase in the March 31, 2002 liability, which was recorded in the current year.

Long-term funding commitments, other income and pension costs have been adjusted to reflect the changes in the provision for employee pension benefits for each year.

4. Inventory

	2003	2002
In bond merchandise	$ 9,509	$ 10,255
Duty paid merchandise	8,322	7,375
	$ 17,831	$ 17,630

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is approximately $2,222 at March 31, 2003 (2002: $2,493).

5. **Other Income**	2003	2002
Long-term funding commitments - Province of Manitoba	$ 3,259	$ 1,930
Advertising revenue other	853	666
Supplementary licence fees	745	750
Occasional permits additional fees	692	706
Annual licence fees and licence application fees	598	617
Occasional permits	289	255
Air Miles revenue	221	188
Administration charges	186	208
Miscellaneous	186	172
Border point fees	56	34
Speciality wine store fees	48	50
	$ 7,133	$ 5,576

6. **General and administrative expenses**	2003	2002
Salaries, benefits, and pension costs	$ 28,558	$ 24,847
Leased premises - rentals (Note 10)	4,484	4,324
Maintenance and repairs	1,376	1,135
Delivery charges	1,164	1,173
Utilities	1,093	1,101
Bank charges	996	852
Air Miles program	862	845
Equipment rentals (Note 10)	850	503
Printing, postage and supplies	609	698
Grants in lieu of taxes	578	522
Professional fees	478	380
Health and post secondary education tax levy	449	411
Alcohol education	369	393
Miscellaneous	339	333
Protective services	336	338
Advertising and promotions	328	464
Image enhancement	327	350
Staff training	267	570
Travelling	206	199
Product analysis	157	161
Vehicle expenses	154	151
Communications	80	99
Crown Corporations Council levy	67	89
	$ 44,127	$ 39,938

The Liquor Control Commission
Notes to the Financial Statements

(In Thousands)
March 31, 2003

7. Depreciation/fixed assets

			2003	2002
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Leasehold improvements	$ 5,115	$ 1,317	**$ 3,798**	$ 3,180
Equipment and furnishings	4,130	2,007	**2,123**	2,117
Systems development	6,899	2,854	**4,045**	2,381
Automobiles	484	237	**247**	230
Paving	196	65	**131**	110
	$ 16,824	$ 6,480	**$ 10,344**	$ 8,018

8. Provision for employee pension benefits

	2003	2002
Balance, beginning of year		
As previously reported	**$ 40,914**	$ 38,734
Adjustment to calculation of provision (Note 3)	**(3,441)**	(3,190)
As restated	**37,473**	35,544
Adjustment to provision from 2001 actuarial valuation (Note 3)	**1,323**	
Benefits accrued	**1,164**	1,087
Interest accrued on benefits	**2,804**	2,654
Benefits paid	**(2,031)**	(1,812)
Balance, end of year	**$ 40,733**	$ 37,473

An actuarial valuation of the provision for employee pension benefits was conducted by Ellement & Ellement Ltd. Consulting Actuaries as at December 31, 2001. The key actuarial assumptions used were a rate of return of 6.75% (1998 - 7.00%), 2.75% inflation (1998 - 3.00%), salary rate increases 4.5% (1998 - 4.5%) and post retirement indexing at 2/3 of the inflation rate. The service to date projected benefit method was used and the liabilities have been extrapolated to March 31, 2003 using a formula provided by the actuary.

The provision for employee pension benefits is fully offset by a receivable from the Province included as part of long-term commitments - Province of Manitoba.

9. Provision for retirement allowances

Effective April 1, 1998, the Commission commenced recording accumulated retirement allowances for its employees. Eligible employees are entitled to receive a retirement allowance equal to one week's pay to a maximum of 25 weeks, for each year of continuous employment, based on the current salary at date of retirement. The provision recorded is based on a method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the retirement allowances accumulated by the Commission's employees to March 31, 1998. Accordingly, the opening provision for retirement allowances as at April 1, 1998 of $3,165 was completely offset by a receivable from the Province included as part of long-term commitments - Province of Manitoba.

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10. Long-term leases

a. The Commission leases its head office and 10 other buildings from the Government of the Province of Manitoba for the nominal sum of two dollars effective August 1, 1985, for a period of 99 years.

b. The Commission leases another 37 buildings. Leases have expiry dates ranging from 2003 to 2013.

The future minimum lease payments for each of the next five years and thereafter are as follows:

Year ending March 31

2004	$	2,955
2005		2,698
2006		2,431
2007		2,144
2008		1,947
Thereafter		4,351

c. The Commission leases computer equipment. Leases on this computer equipment expire in 2007.

The future minimum lease payments for each of the years to the expiry of the lease contracts are as follows:

Year ending March 31

2004	$	814
2005		614
2006		519
2007		142

11. Contingent liability

a. Legal action has been taken against the Commission by the six stand-alone private wine stores claiming the Commission's interference with their economic interests, abuse of public authority and breach of contract. The outcome of this action and the amounts involved are not determinable.

b. Legal action has been taken against the Commission by the two specialty food and wine private wine stores claiming discriminatory action by the Commission under The Competition Act with regard to the discount structure. The outcome of this action and the amounts involved are not determinable.

12. Comparative figures

Prior year's comparative figures have been restated, where necessary, to conform with the financial statement presentation adopted for the fiscal year ended March 31, 2003.

BDO

BDO Dunwoody LLP
Chartered Accountants
and Consultants
www.bdo.ca

700 - [illegible] Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone (204) 956-7200
Telefax (204) 926-7201

Auditors' Report

To the Members of
MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

We have audited the balance sheet of **MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION** as at March 31, 2003 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 12, 2003

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

Balance Sheet

March 31	2003	2002
Assets		
Current Assets		
Cash and bank	$ 195,360	$ 224,444
Accounts receivable (Note 3)	89,615	77,770
	284,975	302,214
Long-term investment - Miller Environmental Corporation	1,000,000	3,000,000
Capital assets - land, at cost	170,305	170,305
Deferred development costs (Note 1)	-	3,301,925
	$ 1,455,280	$ 6,774,444
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 10,503	$ 10,194
Equity		
Share capital (Note 2)	7,500,000	7,500,000
Deficit	(6,055,223)	(735,750)
	1,444,777	6,764,250
	$ 1,455,280	$ 6,774,444

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Statement of Operations and Deficit

For the year ended March 31	2003	2002
Revenue		
Capital tax	$ -	$ 63,232
Gross profit rent (Note 3)	11,845	77,770
	11,845	141,002
Expenses		
General and administrative expenses	29,393	46,059
Amortization of deferred development costs	-	240,140
	29,393	286,199
Loss before other items	(17,548)	(145,197)
Other Items		
Impairment of deferred development costs (Note 1)	(3,301,925)	-
Writedown of long-term investment	(2,000,000)	-
	(5,301,925)	-
Net loss for the year	(5,319,473)	(145,197)
Deficit, beginning of year	(735,750)	(590,553)
Deficit, end of year	$ (6,055,223)	$ (735,750)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Statement of Cash Flows

For the year ended March 31	2003	2002
Cash Flows from Operating Activities		
Net loss for the year	$ (5,319,473)	$ (145,197)
Adjustments for		
Amortization of deferred development costs	-	240,140
Impairment of deferred development costs	3,301,925	-
Writedown of long-term investment	2,000,000	-
	(17,548)	94,943
Changes in non-cash working capital balances		
Accounts receivable	(11,845)	(57,770)
Accounts payable and accrued liabilities	309	(3,314)
Increase (decrease) in cash and cash equivalents for the year	(29,084)	33,859
Cash and cash equivalents, beginning of year	224,444	190,585
Cash and cash equivalents, end of year	$ 195,360	$ 224,444

The accompanying summary of significant accounting policies and notes [illegible] integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Summary of Significant Accounting Policies

March 31, 2003

Nature of Business

The Manitoba Hazardous Waste Management Corporation was established under the Manitoba Hazardous Waste Management Corporation Act. The Corporation, as an agent of the Government of the Province of Manitoba, is responsible to establish, operate, and maintain in accordance with all applicable laws in the province, a hazardous waste management system in Manitoba. This system must be operated and maintained in a manner that will protect the health and safety of the public and preserve the environment. Effective January 1, 1996, the Corporation entered into various agreements with Miller Waste Systems, a division of Miller Paving Limited and Miller Environmental Corporation (Miller) for the continued operation of the hazardous waste management system in Manitoba.

These agreements provide for the transfer of certain assets and liabilities to Miller in exchange for 50% of the common shares and all the Class A special preferred shares of Miller. Under the agreements, the Corporation retains title to its land holdings which are being leased to Miller for an indefinite term, contingent on Miller's continued existence and operation of the hazardous waste management system.

Long-term Investments

The investment in Miller Environmental Corporation is recorded at cost of $3,000,000 less $2,000,000 writedown in 2003 to represent the estimated value of the investment after taking into consideration an impairment in value.

Rental Income

According to the terms of the site lease with Miller, rental income is based on a percentage of Miller's gross profits.

1. Deferred Development Costs

	2003	2002
Balance, beginning of year	$ 3,301,925	$ 3,542,065
Amortization	-	(240,140)
Impairment of deferred development costs	(3,301,925)	-
Balance, end of year	$ -	$ 3,301,925

Deferred development costs of $3,301,925 have been written off during the year in recognition of a permanent impairment in value.

2. Share Capital

The authorized capital of the company is 350,000 shares for a maximum consideration of $35,000,000.

The issued capital is as follows:

	2003	2002
75,000 common shares	$ 7,500,000	$ 7,500,000

3. Gross Profit Rent

On January 1, 1996, Miller Environmental Corporation (MEC) entered into a site lease agreement with the Manitoba Hazardous Waste Management Corporation (MHWMC). Under the terms of the agreement, MEC is committed to annual rent payments of 20% of gross profit to a maximum of $500,000 for each calendar year.

Gross profit rent of $11,845 recognized as revenue in 2003 is comprised of $16,998 rent receivable for 2003 less an adjustment of $5,153 for an over accrual of estimated rent receivable prior to the 2003 year end.

The estimated rental profit receivable based on the audited financial statements of MEC for the fiscal years ending February 28, 2003, 2002 and 2001 is as follows:

February 28, 2003	$ 16,998
February 28, 2002	57,323
February 28, 2001	15,294
	$ 89,615

4. Contingencies

Under the terms of the agreements with Miller Environmental Corporation, MHWMC would be responsible for any claims prior to January 1, 1996 not disclosed during the due diligence process. Any future removal and site restoration costs would be the responsibility of Miller and the Province of Manitoba. An estimate of these costs cannot be determined and therefore no provision has been made in the financial statements for any such costs.

5. Economic Dependence

The Corporation is economically dependent on Miller Environmental Corporation. The Corporation's main future sources of revenue are site lease rental revenue and dividend income from its affiliate.

6. Public Sector Compensation

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, the remuneration paid to Board members during the year, in aggregate, totalled $11,977. No employee's compensation exceeded $50,000 per year.

7. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Management Report

For the year ended March 31

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. In management's opinion the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to May 29, 2003. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management maintains internal controls to provide reasonable assurance that the assets of the Corporation are properly safeguarded and that the financial information is reliable, timely and accurate. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its finding to management and to the Audit Committee of the Board.

The responsibility of the external auditors, Ernst and Young LLP, is to express an independent, professional opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Audit Committee of the Board is composed of three members of the Manitoba Hydro-Electric Board. The Audit Committee of the Board meets with the external auditors, representatives of the Auditor Generals Office, the internal auditors and management to satisfy itself that each group has properly discharged its respective responsibility and to review the consolidated financial statements before recommending approval by the Board. The Board has reviewed the Annual Report in advance of its release and has approved its content and authorized its publication.

On behalf of Management:

Vince Warden

R.B. Brennan, FCA
President and Chief Executive Officer

V.A. Warden, CMA
Vice-President,
Finance & Administration
And Chief Financial Officer

Auditors' Report

For the year ended March 31

To the Manitoba Hydro-Electric Board

We have audited the consolidated balance sheet of The Manitoba Hydro-Electric Board as at March 31, 2003 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at March 31, 2002 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated July 3, 2002.

Ernst & Young LLP

Chartered Accountants
Winnipeg, Canada
May 29, 2003

Consolidated Statement of Income

For the year ended March 31

		Notes	2003	2002
			(Note 2)	
			millions of dollars	
Revenues				
Electric	Manitoba		891	797
	Extraprovincial	3	463	588
Gas	Commodity		392	365
	Distribution		123	114
			1 869	1 864
Cost of gas sold			392	365
			1 477	1 499
Expenses				
Operating and administrative			326	298
Depreciation and amortization			281	260
Water rentals and assessments		4	103	113
Fuel and power purchased			151	71
Capital and other taxes			66	61
			927	803
Income before finance expense			550	696
Finance expense		5	479	482
Net Income			71	214

Consolidated Statement of Retained Earnings

For the year ended March 31

		2003	2002
		millions of dollars	
Retained Earnings, Beginning of Year		1 302	1 088
Net income		71	214
		1 373	1 302
Distribution to the Province of Manitoba	18	203	—
Retained Earnings, End of Year		1 170	1 302

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Balance Sheet

As at March 31

	Notes	2003 (Note 2)	2002
		millions of dollars	
ASSETS			
Property, Plant and Equipment			
In service		**9 991**	9 072
Less accumulated depreciation		**3 042**	2 834
		6 949	6 238
Construction in progress		**356**	388
	6	**7 305**	6 626
Current Assets			
Bank balances and temporary investments	7	**30**	14
Accounts receivable and accrued revenue		**393**	386
Interest receivable		**9**	25
Materials and supplies, at average cost		**69**	84
		501	509
Other Assets			
Sinking fund investments	8	**948**	1 515
Pension assets	9	**457**	473
Deferred debt cost	10	**571**	903
Goodwill		**108**	62
Other deferred assets	11	**344**	317
		2 428	3 270
		10 234	10 405

Curtis

Victor H. Schroeder, QC
Chairman of the Board

Charles E. Curtis, FCA
Chairman of the Audit Committee

	Notes	2003 (Note 2)	2002
		millions of dollars	
LIABILITIES AND RETAINED EARNINGS			
Long-Term Debt			
Long-term debt net of sinking fund investments		5 977	5 608
Sinking fund investments	8	948	1 515
	12	6 925	7 123
Current Liabilities			
Accounts payable and accrued liabilities		258	209
Notes payable	13	128	180
Accrued interest		111	100
Current portion of long-term debt	12	343	538
		840	1 027
Other Liabilities			
Deferred liabilities and credits	14	301	250
Pension obligation	9	479	422
Asset purchase obligation	2	255	—
		1 035	672
Contributions in Aid of Construction		264	281
Retained Earnings		1 170	1 302
		10 234	10 405

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended March 31

	Notes	2003	2002
		millions of dollars	
Operating Activites			
Cash receipts from customers		1 863	1 935
Cash paid to suppliers and employees		(983)	(914)
Interest paid		(550)	(556)
Interest received		102	89
		432	554
Financing Activities			
Proceeds from long-term debt		734	1 259
Sinking fund withdrawals		644	—
Retirement of long-term debt		(977)	(1 096)
Discount (premium) on long-term debt		92	(11)
Mitigation liability		(26)	(19)
Distribution to the Province of Manitoba		(200)	—
Notes payable		(54)	(33)
		213	100
Investing Activities			
Property, plant and equipment, net of contributions		(484)	(439)
Sinking fund payment		(134)	(127)
Other		(11)	(72)
		(629)	(638)
Net Increase In Cash		16	16
Cash At Beginning Of Year		14	(2)
Cash At End Of Year	7	30	14

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2003

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the financial statements of the Corporation and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

a) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost which consists of contracted services, direct labour, material and expense, a proportionate share of overhead costs and interest applied at the weighted average cost of capital. Finance expense is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in service is made, finance expense allocated to construction ceases and depreciation and finance expense charged to operations commences.

b) DEPRECIATION

Depreciation is provided on a straight-line remaining life basis. The major components of generating stations are depreciated over the lesser of the remaining life of the major component or the remaining life of the associated generating station.

The range of estimated service lives of each major asset category is as follows:

Generation	- Hydraulic	45 - 100 years
	- Thermal	25 - 45 years
Transmission	- Lines	20 - 53 years
	- Stations	20 - 53 years
Distribution (Electrical and Gas)		20 - 65 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. In accordance with utility accounting practices, retirements of these assets are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by the Corporation. A provision for estimated future costs of removal and site restoration costs related to the decommissioning of the thermal generating stations is recorded as a deferred liability.

c) FOREIGN CURRENCY TRANSLATION

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollar equivalents at exchange rates in effect at the transaction dates except to the extent that revenues are used to hedge future long-term foreign debt obligations. In accordance with the Corporation's Exposure Management Program, revenues used as hedges are firm U.S. export revenues which are translated at the historical book value exchange rates of the respective U.S. debt obligations to which the firm revenues are linked and for which they, together, form an effective hedge. The maturity dates of U.S. debt obligations extend through 2023. For purposes of bridging the timing of U.S. debt maturities and the U.S. revenue streams used to hedge those debt maturities, the Corporation utilizes U.S. sinking funds. The investment income from the U.S. sinking fund is retained within the Exposure Management Program to form part of the long-term debt obligation hedge.

Long-term monetary assets and liabilities denominated in U.S. currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. The exchange gains or losses, resulting from the translation of these long-term monetary items, which are related to liabilities hedged by future U.S. revenue streams, are deferred to the date in which the sales are made.

Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. Any exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to operations in the current period.

Cross currency swap arrangements are also utilized by the Corporation to manage exchange rate exposures and as a means to capitalize on favourable financing terms in either U.S. or Canadian capital markets. Cross currency agreements represent an exchange of principal and/or interest flows denominated in one currency for principal and/or interest flows denominated in another. Such transactions effectively result in the replacement of the original debt obligation with the swapped debt arrangement. Premiums paid upon swap transactions are deferred and amortized on a straight-line basis over the term of the swapped debt. Unamortized discounts and premiums associated with the original debt issue are amortized on a straight-line basis over the term of the swap. The maturity dates of cross currency swaps extend through 2019.

d) PENSION AND OTHER EMPLOYEE BENEFITS

An independent actuary using the accrued benefit method and management's best estimate economic and demographic assumptions determine the costs and obligations of pension benefits. Pension expense is comprised of the cost of pension benefits provided during the year plus the amortization of the cost of past service benefits and experience gains and losses. The unamortized present value of past service benefits and actuarially determined experience gains or losses are recognized in the financial statements as a deferred asset or credit. The Corporation utilizes the "corridor method" of amortizing actuarial gains and losses. The amortization of this balance is recognized only to the extent that the cumulative unamortized net actuarial gain or loss exceeds 10% of the greater of the accrued benefit obligation at the beginning of the year and the fair market value of plan assets at the beginning of the year. When required, the excess of the cumulative gain or loss balance is amortized over the expected average remaining service life of the employees covered by the plan.

All pension assets are stated at current market value.

Pension and long-term disability expenses pertaining to the former Winnipeg Hydro employees are recognized at the time contributions are made to the City of Winnipeg Civic Employees Benefit Program. The Program is a defined benefit pension plan with multiple participating employers.

Other employee benefits earned by employees include vacation, vested sick leave and long-term disability. Where applicable, the cost of these benefits is determined based on management's best estimate economic and demographic assumptions.

Vacation expense in respect of employees' services rendered to the date of initial recognition of the liability is recognized in the financial statements as a deferred asset and is being amortized on a straight-line basis over a period of 10 years.

e) DEBT DISCOUNTS AND PREMIUMS

Debt discounts and premiums are amortized to finance expense on a straight-line basis over the life of the respective debt.

f) **SINKING FUND INVESTMENTS**

The Corporation records sinking fund investments at par value. The difference between the cost and the par value of each investment is recorded as a premium or discount and is amortized on a straight-line basis over the remaining life of the investment. Any gain or loss on early disposal of investments is credited or charged to operations.

g) **TEMPORARY INVESTMENTS**

Temporary investments are recorded at the lower of cost or market.

h) **PLANNING STUDIES**

Planning studies costs related to uncommitted major generation or transmission facilities are deferred and amortized on a straight-line basis over 15 years. The balance of the unamortized costs of a project which proceeds during the 15-year-period is transferred to the capital cost of the project.

i) **POWER SMART PROGRAMS**

The costs of the Corporation's energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over periods of up to 15 years.

j) **SITE RESTORATION COSTS**

Site restoration costs are recorded as a deferred expense and are amortized on a straight-line basis over 15 years.

k) **REVENUES**

Customers' meters are read and billed on a cyclical basis. Revenues are accrued in respect of energy delivered for those cycles not yet billed.

l) **CONTRIBUTIONS IN AID OF CONSTRUCTION**

Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

m) **COST OF GAS SOLD**

Cost of gas sold is recorded at the same rates charged to customers. The difference between the recorded cost of gas and the actual cost of gas is carried as an account receivable or recorded as a deferred item and recovered or refunded in future rates.

n) **DERIVATIVE FINANCIAL INSTRUMENTS**

The Corporation utilizes derivative financial instruments to mitigate gas price volatility. Amounts paid or received under these financial instruments are recognized as part of the actual cost of gas.

The Corporation mitigates gas price volatility to customers through the use of derivative products restricted to price swaps, call options and collars. These derivative products are applied to 90% of gas volumes that are certain to be required under a "warmest year" scenario for a period up to twelve months. The warmest year scenario is equivalent to approximately 63% of gas volumes in a normal year. A stringent control environment is maintained to manage any risks related to the application of derivatives.

Interest rate swap agreements are utilized by the Corporation to manage the fixed and floating interest rate mix of the total debt portfolio, interest rate exposure, and related overall cost of borrowing. The interest rate swap agreements represent an agreement between the Corporation and another party to periodically exchange payments of interest without the exchange of the notional principal amount upon which the payments are based. The Corporation may also utilize forward start interest rate swap arrangements where the agreement to exchange interest payments commences at some future date. In either swap arrangement, unamortized premiums and/or discounts attached to the original debt issue continue to be amortized on a straight-line basis over the term of the interest rate swap. The maturity dates of interest rate swap agreements extend through 2032.

o) ACQUISITION COSTS

Costs associated with the acquisition of Centra Gas Manitoba Inc. (Centra Gas) and Winnipeg Hydro have been deferred and are being amortized on a straight-line basis over a period of 30 years.

p) DEFERRED TAXES

The taxes paid by Centra Gas as a result of its change to non-taxable status on acquisition by Manitoba Hydro have been deferred and are being amortized, on a straight-line basis, over a period of 30 years.

q) GOODWILL

Goodwill represents the amount of the Corporation's investments in Centra Gas and Winnipeg Hydro over and above the fair market value of the net assets acquired. The goodwill balance is evaluated annually to determine whether any impairment has occurred. An impairment would be recognized if it was determined that the carrying value of the Corporation's investments in Centra Gas and Winnipeg Hydro exceeded the present value of the future cash flows from these investments. Should impairment occur, it would be recorded as a charge against operations in the year of impairment.

r) USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

s) REGULATION

The prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba. The consolidated financial statements take into account certain regulatory accounting practices which differ from accounting practices applied in unregulated enterprises, and which relate specifically to select deferred charges and the depreciation of property, plant and equipment that are retired.

NOTE 2 ASSET PURCHASE OBLIGATION

Effective September 3, 2002, the Corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The results of Winnipeg Hydro's operations have been included in Manitoba Hydro's electric operations since that date. Winnipeg Hydro was an electric utility with approximately 94 000 customers in the central part of the City of Winnipeg with annual revenues of approximately $125 million. For the seven-month period since the date of acquisition, retail revenues included in Manitoba Hydro's operations amounted to approximately $73 million while expenses for the same period amounted to approximately $41 million. With the termination of the wholesale contract with Winnipeg Hydro, wholesale revenues decreased by $27 million.

Consideration for the acquisition was the Asset Purchase Obligation that is equivalent to the net present value of payments to the City of Winnipeg of $25 million per annum in years 2002 to 2006, $20 million per annum in years 2007 to 2010, and $16 million per annum in year 2011 and each year thereafter in perpetuity. In addition, $9 million of direct costs were incurred to complete the transaction.

The Asset Purchase Obligation is derived as follows:

	millions of dollars
Total assets acquired:	
Property, plant and equipment	374
Current and other assets	63
Goodwill	46
	483
Total obligations assumed:	
Long-term debt	(186)
Current and other liabilities	(19)
	(205)
Asset purchase obligation	278
Current year principal reduction	(23)
	255

NOTE 3 EXTRAPROVINCIAL REVENUES

	2003	2002
	millions of dollars	
United States	**379**	495
Canada	**84**	93
	463	588

The effective exchange rate for translation of U.S. revenues used as a hedge of long-term debt is $1.00 U.S. = $1.232 Canadian (2002 - $1.00 U.S. = $1.232 Canadian). If U.S. revenues designated as a hedge were recorded at average exchange rates prevailing throughout the year, U.S. revenues would have amounted to $397 million (2002 - $517 million).

NOTE 4 WATER RENTALS AND ASSESSMENTS

	2003	2002
	millions of dollars	
Water rentals	**95**	107
Land rentals and assessments	**8**	6
	103	113

Water rentals are paid to the Province for the use of water resources in the operation of the Corporation's hydro-electric generating stations. Water rental rates during the year were $3.34 per MW.h (2002 - $3.34 per MW.h).

NOTE 5 FINANCE EXPENSE

	2003	2002
	millions of dollars	
Interest on debt	**590**	598
Finance expense allocated to construction	**(27)**	(25)
Investment income	**(84)**	(91)
	479	482

Included in interest on debt is $74 million (2002 – $72 million) related to the Provincial Debt Guarantee Fee. The fee during the year was 0.95% of the total outstanding debt guaranteed by the Province (2002 – 0.95%). Investment income includes interest earned on Canadian and U.S. sinking funds established for the retirement of long-term debt. U.S. sinking fund interest income designated as a hedge of U.S. denominated long-term debt is recorded at the historical book value rate of the associated debt. The effective exchange rate for translation of these revenues is $1.00 U.S. = $1.232 Canadian (2002 – $1.00 U.S. = $1.232 Canadian).

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

millions of dollars

	2003			2002		
	In Service	Accumulated Depreciation	Construction in Progress	In Service	Accumulated Depreciation	Construction in Progress
Generation						
– Hydraulic	**4 110**	**1 106**	**182**	**3 981**	**1 049**	**21**
– Thermal	**452**	**147**	**16**	**261**	**133**	**182**
Transmission						
– Lines	**715**	**191**	**10**	**672**	**180**	**22**
– Stations	**1 841**	**711**	**49**	**1 670**	**663**	**62**
Distribution	**2 053**	**583**	**29**	**1 731**	**528**	**56**
Other	**820**	**304**	**70**	**757**	**281**	**45**
	9 991	**3 042**	**356**	**9 072**	**2 834**	**388**

NOTE 7 BANK BALANCES AND TEMPORARY INVESTMENTS

	2003	2002
	millions of dollars	
Bank balances	**—**	**5**
Temporary investments	**30**	**9**
	30	**14**

NOTE 8 SINKING FUND INVESTMENTS

As provided by The Manitoba Hydro Act, the Corporation pays an annual sinking fund installment to the Minister of Finance of the Province of Manitoba of not less than 1% of the principal amount of the outstanding debt on the preceding March 31, and 4% of the balance in the sinking fund at such date. Payments to the sinking fund during the year were $134 million (2002 – $127 million). Income earned on sinking fund investments is included with investment income for the year.

Sinking funds are invested in government bonds and the bonds of highly rated corporations and financial institutions.

	2003	2002
	millions of dollars	
Canadian investments	257	572
U.S. investments	691	943
	948	1 515

Canadian investments have a weighted average term to maturity of 5.4 years (2002 - 5.2 years) and an effective yield to maturity of 6.0% (2002 - 6.5%). U.S. investments have a weighted average term to maturity of 5.7 years (2002 - 3.2 years) and an effective yield to maturity of 4.8% (2002 - 5.9%). U.S. investments are translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.47 Canadian (2002 - $1.00 U.S. = $ 1.59 Canadian).

NOTE 9 PENSION ASSETS AND OBLIGATION

Manitoba Hydro employees are eligible for pensions under the Manitoba Civil Service Superannuation Fund (the Fund). The Fund is a defined benefit plan that requires the Corporation to contribute 50% of the pension disbursements made to retired employees. In addition, the former employees of Centra Gas are entitled to pension benefits earned under the Centra Gas curtailed pension plans up to December 31, 2000, for salaried employees and up to June 21, 2001, for union employees. The former Winnipeg Hydro employees continue to earn benefits under the City of Winnipeg Civic Employees' Benefit Program where, upon its acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer.

The most recent actuarial valuations for the Corporation's obligation were performed with respect to the liabilities outstanding as at December 31, 2002. These valuations incorporated management's best estimate assumptions and took into consideration the long-term nature of the pension plans. The pension liability pertaining to the Fund amounted to $479 million at March 31, 2003 (2002 - $422 million).

The significant actuarial assumptions adopted in measuring the Corporation's pension and other employee benefit obligations are as follows:

	2003	2002
Discount rate	**7.0%**	7.3%
Expected long-term rate of return on plan assets	**7.5%**	8.0%
Rate of compensation increase, including inflation, merit and promotions	**2.0-3.0%**	3.0-4.0%

The Manitoba Civil Service Superannuation Board manages the assets of the Fund on behalf of the Corporation. Pension assets are valued at market rates and are invested as follows:

	2003	2002
	millions of dollars	
Bonds and debentures	**205**	186
Equities	**187**	216
Mortgages	**10**	9
Short-term investments	**12**	22
Real estate	**43**	40
Fair value of plan assets	**457**	473
Accrued benefit obligation	**479**	422
Fund status - plan surplus (deficit)	**(22)**	51
Net accrued valuation adjustments	**115**	31
Net expense	**9**	8
Benefits paid	**19**	18
Employee contributions	**16**	15

The return on pension fund assets was negative 3.2% (2002 positive 6.7%). The negative return in 2003 reflects the downturn in equities markets over the past year.

The weighted average term to maturity on fixed income investments is 7.5 years (2002 - 13.9 years).

Information about the curtailed Centra Gas defined benefit pension plans as at March 31, in aggregate, is as follows:

	2003	2002
	millions of dollars	
Fair value of plan assets	43	48
Accrued benefit obligation	65	59
Fund status – plan deficit	22	11
Net accrued valuation adjustments	22	11
Net expense	1	1
Benefits paid	3	3
Employer contributions	1	1

NOTE 10 DEFERRED DEBT COSTS

	2003	2002
	millions of dollars	
Deferred foreign exchange	513	809
Debt discount and expense	—	53
Premium on purchase of sinking fund investments	42	20
Other	16	21
	571	903

Deferred foreign exchange represents the net translation gains and losses on U.S. long-term monetary items that will be offset through the translation of future U.S. firm revenue and investment income streams.

NOTE 11 OTHER DEFERRED ASSETS

	2003	2002
	millions of dollars	
Power Smart programs	50	43
Planning studies	35	122
Deferred taxes	47	49
Pension valuation	115	31
Contract receivables	28	20
Site restoration costs	19	13
Acquisition costs	20	14
Other	30	25
	344	317

The amortization of deferred assets amounting to $18 million (2002 - $22 million) is included in depreciation and amortization expense.

NOTE 12 LONG-TERM DEBT

In 2003, the Corporation arranged long-term financing in the principal amount of $734 million (2002 - $1 259 million). Of this amount, $364 million of Manitoba HydroBonds Series 8 were issued with fixed coupon rates in the range of 4.8% to 5.5% and $31 million with floating coupon rates starting at 3.1%; $330 million in Provincial advances were arranged with fixed coupon rates in the range of 4.4% to 6.0%; $9 million of Manitoba Hydro Electric-Board Bonds were issued for mitigation projects with fixed coupon rates in the range of 5.7% to 10.0%.

In addition Manitoba Hydro-Electric Board Bonds in the amount of $186 million were issued to the City of Winnipeg to defease the existing Winnipeg Hydro long-term debt as part of the acquisition. The fixed rates on these bonds ranged from 5.9% to 11.7%.

	2003	2002
	millions of dollars	
Advances from the Province of Manitoba represented by debenture debt of the Province	6 375	7 221
Manitoba HydroBonds	684	404
Manitoba Hydro-Electric Board Bonds	209	36
	7 268	7 661
Less: Current portion of long-term debt	343	538
	6 925	7 123

Included in the current portion of long-term debt is $304 million (2002 - $524 million) of debt maturities and $39 million (2002 - $14 million) of Manitoba HydroBonds with maturity dates in 2007 and 2008. Manitoba HydroBonds are redeemable at the option of the holder.

Long-term debt, excluding Manitoba Hydro-Electric Board Bonds issued for mitigation projects in the amount of $36 million (2002 - $36 million), is guaranteed by the Province of Manitoba.

Debt amounts are summarized by fiscal years of maturity in the following table:

	2003					2002
	millions of Canadian dollars					
Years of Maturity	Canadian Maturities	U.S. Maturities	Total Principal Amount of Maturities	Canadian Yields	U.S. Yields	Total Principal Amount of Maturities
2004	49	294	343	4.9%	4.8%	319
2005	218	—	218	3.9%	—	211
2006	106	—	106	4.5%	—	—
2007	72	—	72	6.1%	—	309
2008	294	—	294	5.5%	—	—
	739	294	1 033	5.2%	4.8%	839
2009-2013	223	725	948	5.6%	6.0%	931
2014-2042	2 440	2 847	5 287	8.2%	7.7%	5 353
	3 402	3 866	7 268	8.0%	7.5%	7 123

U.S. debt is translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.47 Canadian (2002 - $1.00 U.S. = $1.59 Canadian).

NOTE 13 NOTES PAYABLE

Notes payable outstanding at March 31, 2003, have terms ranging from 1 to 63 days and bear interest at the average effective rate of 2.8% (2002 - 2.0%).

The Corporation has a bank credit facility that provides for overdrafts and notes payable up to an amount of $500 million denominated in Canadian and/or U.S. currency.

NOTE 14 DEFERRED LIABILITIES AND CREDITS

	2003	2002
	millions of dollars	
Mitigation liability (note 17)	118	125
Other employee benefits, excluding pensions	75	66
Refundable advances from customers	40	38
Decommissioning of thermal generating stations	16	16
Debt premium and expense	33	—
Interest income and other credits	19	5
	301	250

NOTE 15 FINANCIAL INSTRUMENTS

Derivative Financial Instruments
The Corporation has entered into collar contracts until January 2004 to purchase 26 230 000 gigajoules of gas at a weighted average price of $5.26. The weighted average forward price per the Alberta Energy Company at March 31, 2003, is $6.40.

These contracts will be recorded in the month the gas is delivered. At March 31, 2003, the valuation of these contracts showed a positive fair value of $16 million. There were no unrecognized financial liabilities relative to these contracts.

Foreign Exchange Contracts
As at March 31, 2003, there were foreign exchange contract purchases of $15 million U.S. at a weighted average exchange rate of $1.47 and foreign exchange contract sales of $15 million U.S. at a weighted average exchange rate of $1.47 (2002 – $20 million U.S. at a weighted average exchange rate of $1.56).

Fair Value
The estimated fair values of the Corporation's long-term debt and sinking fund investments are based on year-end market interest and exchange rates for similar debt and investment instruments. As at March 31, 2003, the estimated fair value of the Corporation's total long-term debt amounted to $8 967 million (2002 – $8 596 million). The estimated fair value of sinking fund investments which the Corporation uses for the purpose of repaying long-term debt amounted to $1 032 million at March 31, 2003 (2002 – $1 556 million).

The carrying values of all other financial assets and liabilities approximate fair value.

Interest Rate Risk
Interest rate risk is associated with notes payable net of temporary investments, the current portion of long-term debt net of the current portion of sinking fund investments, and floating rate long-term debt which totaled $1 513 million at March 31, 2003. For information purposes, an increase of 1% in the interest rate would reduce net income by $15 million for March 31, 2003 (2002 – $16 million). Manitoba Hydro utilizes interest rate swaps to manage the Corporation's interest rate exposure. These swaps include blended forward interest rate swaps that have been transacted on $1 billion of debt at blended rates ranging from 6.5% to 7.4%. The lower interest rates produced by these swap transactions reduced finance expense by approximately $6 million in the 2003 fiscal year (2002 – $20 million) which reflects the impacts of the cash requirements associated with these obligations.

Credit Risk
Credit risk on sinking fund investments, pension assets and short-term investments is minimized as the Corporation invests exclusively in government-guaranteed bonds or other highly rated investments. The majority of the Corporation's accounts receivable are owing from domestic consumers who are in diversified industries and from sales to other utilities. Credit risk in the export market is minimized through the application of established credit requirements.

Credit risk associated with counterparties is minimized by establishing minimum credit rating requirements, setting potential exposure limits and monitoring exposure against these limits, and when necessary, obtaining financial assurances from counterparties.

NOTE 16 COMMITMENTS

Outstanding commitments, principally for construction, are approximately $185 million (2002 – $158 million). In addition, with the acquisition of Winnipeg Hydro, the Corporation made a commitment to commence construction of an office building in downtown Winnipeg on or before September 3, 2007.

NOTE 17 MITIGATION

The Corporation is party to an agreement dated December 16, 1977, with Canada, the Province of Manitoba and the Northern Flood Committee Inc., representing the five First Nations in the communities of Cross Lake, Nelson House, Norway House, Split Lake and York Landing. This agreement, in part, provides for compensation and remedial measures necessary to ameliorate the impacts of the Churchill River Diversion and Lake Winnipeg Regulation projects. Comprehensive settlements have been reached with all communities except Cross Lake.

Expenditures incurred to mitigate the impacts of the Churchill River Diversion and Lake Winnipeg Regulation projects amounted to $40 million during the year (2002 – $30 million). To March 31, 2003, $511 million (2002 – $471 million) has been spent in mitigating and compensating the project-related impacts.

The Corporation has also entered into agreements with the Province of Manitoba whereby the Corporation has assumed obligations of the Province with respect to northern development projects. The Corporation has assumed obligations, a portion of which remains outstanding, totaling $144 million (2002 – $136 million) for which water power rental charges were fixed until March 31, 2001. In recognition of the anticipated payments to be incurred, the Corporation has recorded a total liability of $118 million (2002 – $125 million). Reassessments of these liabilities will be made as settlements are achieved. There are other mitigation issues, the outcomes of which are not determinable at this time.

NOTE 18 DISTRIBUTION TO THE PROVINCE OF MANITOBA

The Government of Manitoba enacted legislation amending The Manitoba Hydro Act to provide for a distribution from the retained earnings of Manitoba Hydro to the Province of Manitoba in each of the fiscal years 2002-03 and 2003-04. The total of payments and provisions in 2002-03 amounted to $203 million. The amount of the distribution in 2003-04 will not exceed 75% of the Corporation's net income for that year. The total distribution to the Province of Manitoba over the two-year period will not exceed $288 million.

NOTE 19 SEGMENTED INFORMATION

The Corporation operates primarily in two business segments, electricity and gas. Each segment has its own particular economic characteristics and differs in nature, production processes and technology. The electricity segment encompasses the generation, transmission and distribution of electricity. The gas segment represents natural gas supply and distribution activities through the operations of Centra Gas.

The following table contains information related to the operating results, assets and cash flows by segment:

	Electricity		Gas		Corporate		Total	
	millions of dollars							
	2003	2002	2003	2002	2003	2002	2003	2002
Revenue	1 354	1 385	515	479	—	—	1 869	1 864
Expenses								
Operating & administrative	272	248	54	50	—	—	326	298
Depreciation & amortization	262	239	17	18	2	3	281	260
Water rentals & assessments	103	113	—	—	—	—	103	113
Fuel & power purchased	151	71	—	—	—	—	151	71
Capital & other taxes	48	43	18	18	—	—	66	61
Cost of gas sold	—	—	392	365	—	—	392	365
Finance expense	441	445	21	21	17	16	479	482
Total expenses	1 277	1 159	502	472	19	19	1 798	1 650
Net Income	77	226	13	7	(19)	(19)	71	214
Total assets	9 651	9 784	583	621	—	—	10 234	10 405
Operating activities	331	490	101	64	—	—	432	554
Financing activities	293	130	(80)	(30)	—	—	213	100
Investing activities	(608)	(604)	(21)	(34)	—	—	(629)	(638)

Corporate amounts include the costs associated with the acquisition of Centra Gas.

NOTE 20 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2002 have been reclassified in order to conform to the presentation adopted in 2003.

Manitoba Lotteries Corporation

Notes to Financial Statements for the year ended March 31, 2003 continued...

13. First Nations Casino

The Government of Manitoba has overall control over gaming in Manitoba in accordance with the requirements of the Criminal Code of Canada, and has appointed MLC to act as its agent in the Conduct and Management of the gaming regime. Through a selection process, the Government has provided certain First Nations the opportunity to operate casinos, with MLC maintaining the Conduct and Management authority over these casinos. MLC is allowed to recover its expenses from the First Nations Casino in carrying out its Conduct and Management role.

14. Lease obligations (in thousands)

The future minimum rental payments relating to operating leases are as follows:

2004	$622
2005	543
2006	509
2007	365
2008	202
Subsequent years	1,585
	$3,826

15. Contingencies

Incident to the nature of its business, the Corporation is defending various legal actions and claims that are pending. While the outcome of these claims cannot be determined, management is of the opinion that the appropriate provisions have been made in the accounts, and the ultimate outcome will not have a material adverse effect on the Corporation's financial position.

16. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Manitoba Lotteries Corporation

Schedule of Net Income for the year ended March 31, 2003 (in thousands)

	2003	2002
Revenue		
Gross revenue	$617,664	$582,611
Cost of sales	206,826	191,629
	410,838	390,982
Expenses		
Operating expenses		
Salaries and benefits	68,311	61,944
Rentals, repairs and maintenance	12,435	13,053
Marketing and merchandising prizes	3,605	4,956
Property taxes	3,595	4,604
Utilities	3,167	2,922
Supplies and printing	2,745	2,717
Consultant fees	2,149	1,121
Pension	1,562	1,352
Telecommunications and postage	1,540	1,581
Transportation and vehicles	1,406	1,215
Health and education tax	1,345	1,200
Gaming control registration fee	1,238	1,249
Community support	511	788
Sundry	3,375	3,607
	106,984	102,309
Depreciation and amortization	14,513	16,293
Interest expense	10,240	10,676
Goods and services tax	4,477	4,517
	136,214	133,795
Other Income	1,602	1,503
Income before Allocations and Payments	276,226	258,690
Allocations and Payments	10,742	10,456
Net Income	$265,484	$248,234

11. Segmented Information (continued)

2002	Video Lotto	Casinos of Wpg	Lottery	Total
Revenue				
Gross Revenue	$214,112	$205,511	$162,988	$582,611
Cost of sales	59,029	29,199	103,401	191,629
	155,083	176,312	59,587	390,982
Expenses				
Operating expenses	9,478	89,557	3,274	102,309
Depreciation and amortization	848	15,400	45	16,293
Interest expense	2,019	8,416	241	10,676
Goods and services tax	3,036	1,177	304	4,517
	15,381	114,550	3,864	133,795
Other Income	325	366	812	1,503
Income before Allocations and Payments	140,027	62,128	56,535	258,690
Allocations and Payments	1,071	4,410	4,975	10,456
Net Income	$138,956	$57,718	$51,560	$248,234

12. Allocations and Payments

(a) Provinces of Alberta and Saskatchewan

The Province of Manitoba is a member in the Western Canada Lottery Corporation (WCLC). An agreement is in place with the other members to provide economic benefit equalization. The cost to the Corporation for this allocation for the 2003 fiscal year is $2,585,000 (2002 - $2,606,000).

(b) Payment to Government of Canada

Effective January 1, 1980 the Government of Canada terminated its involvement in lotteries. In return, the ten provinces are to contribute an annual sum of $24,000,000, adjusted for inflation, to the Federal Government. The Province of Manitoba's share for the 2003 fiscal year is $2,313,000 (2002 - $2,194,000).

(c) Addictions Foundation of Manitoba

The Corporation provides funding to the Addictions Foundation of Manitoba (AFM) for its problem gambling services programming. Funding provided to the AFM for the 2003 fiscal year is $1,898,000 (2002 - $1,754,000).

(d) Charitable organizations

The Corporation provides over four hundred charitable organizations the opportunity to raise funds for their organizations by assisting the Corporation in the bingo events held at its casinos. Payments made to these organizations for the 2003 fiscal year amount to $3,946,000 (2002 - $3,902,000).

Manitoba Lotteries Corporation

Notes to Financial Statements for the year ended March 31, 2003

continued...

10. Equity Advance

The Equity advance reflects $5,000,000 for working capital provided to the Corporation by the Government of Manitoba.

11. Segmented Information

The Corporation's management has designated the areas of Video Lotto, Casinos and Lottery as its operating segments. All indirect costs have been allocated to the operating segments. A summary of these operating segments is as follows:

2003	Video Lotto	Casinos of Wpg	Lottery	Total
Revenue				
Gross Revenue	$211,706	$224,135	$181,823	$617,664
Cost of sales	57, 817	30,686	118,323	206,826
	153,889	193,449	63,500	410,838
Expenses				
Operating expenses	9,676	94,150	3,158	106,984
Depreciation and amortization	532	13,958	23	14,513
Interest expense	2,001	7,999	240	10,240
Goods and services tax	3,622	619	236	4,477
	15,831	116,726	3,657	136,214
Other Income	368	477	757	1,602
Income before Allocations and Payments	138,426	77,200	60,600	276,226
Allocations and Payments	1,159	4,496	5,087	10,742
Net Income	$137,267	$72,704	$55,513	$265,484

9. Long Term Debt (in thousands)

	2003	2002
Province of Manitoba, bearing interest at 6.95%, interest only repayable semi-annually, with all principal due at maturity on August 30, 2010.	$135,000	$135,000
Province of Manitoba, bearing interest at the prevailing Bankers Acceptance rate plus 1/4 of 1%, interest only repayable quarterly, with all principal due at maturity on January 17, 2008. The interest rate on the debt at March 31, 2003 was 3.124%.	30,000	30,000
Province of Manitoba, bearing interest at 4.875%, repayable in monthly installments of $52,000 plus interest until March 31, 2009.	3,700	-
Capital lease obligation to the Province of Manitoba, with a 3.75% implicit interest rate and annual minimum lease payments of $64,000 until July 13, 2017.	542	564
	169,242	165,564
Less current portion of long term debt and capital lease obligation	648	30,022
	$168,594	$134,542

During the year, the Corporation negotiated an extension to the term of the $30,000 debt with the Province of Manitoba from January 2003 to January 2008.

Annual payments in future years are as follows:

		Capital Lease	
	Loans	Principal	Interest
2004	$624	$24	$40
2005	624	26	38
2006	624	28	36
2007	624	30	34
2008	30,624	32	32
Subsequent years	135,580	402	154
	$168,700	$542	$334

The fair market value of long-term debt at March 31, 2003 is $183,889.

Manitoba Lotteries Corporation

Notes to Financial Statements for the year ended March 31, 2003

continued...

6. Capital Assets (in thousands)

2003	Cost	Accumulated Depreciation and Amortization	Net Book Value
Land	$4,922	$ -	$4,922
Furniture and equipment	53,797	44,705	9,092
Gaming equipment	76,716	58,413	18,303
Buildings and parking lots	163,170	30,615	132,555
Leasehold improvements	5,568	5,011	557
Capital lease - building	644	121	523
Assets related to First Nations Casino	4,234	680	3,554
	$309,051	$139,545	$169,506

2002	Cost	Accumulated Depreciation and Amortization	Net Book Value
Land	$4,922	$ -	$4,922
Furniture and equipment	50,872	39,465	11,407
Gaming equipment	72,670	60,172	12,498
Buildings and parking lots	162,959	24,615	138,344
Leasehold improvements	5,543	4,952	591
Capital lease - building	644	97	547
Assets related to First Nations Casino	4,368	78	4,290
	$301,978	$129,379	$172,599

7. Other Assets

The Corporation entered into an agreement in December 2001 for the right to use 22.28 acres of land for 200 years. The land will be used for expanded parking facilities for the McPhillips Street Station Casino. The cost of the lease will be amortized over the life of the casino when the facilities are available for use, anticipated in the 2004 fiscal year.

8. Accounts Payable and Accruals (in thousands)

	2003	2002
Trade	$16,923	$16,537
Vacation payable	4,066	3,536
Jackpot provision	1,236	761
Interest payable	917	956
Land lease	700	3,200
Government of Manitoba	200	375
	$24,042	$25,365

2. Significant Accounting Policies (continued...)

(h) Foreign currency translation

Monetary assets and liabilities are translated at the year-end exchange rate while non-monetary assets and liabilities and revenues and expenses are translated at the exchange rate prevailing on the transaction date. All exchange gains and losses are reflected in earnings during the period they occurred.

(i) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(j) Promotional allowances

The retail value of food, beverages and other items provided on a complimentary basis to customers has been included in gross revenue and a corresponding amount has been deducted as promotional allowances. Costs of providing promotional allowances have been included in operating expenses.

3. Accounts Receivable (in thousands)

	2003	2002
Trade	$4,903	$4,025
Western Canada Lottery Corporation	4,585	3,314
Miscellaneous	1,227	1,297
Employee computer program	266	264
Restaurant working capital advance	250	400
Lottery retailers	106	106
	$11,337	$9,406

4. Inventories (in thousands)

	2003	2002
Replacement parts	$3,461	$3,571
Breakopen tickets	653	262
Bingo paper	213	213
Store merchandise	105	118
	$4,432	$4,164

5. Prepaid Expense (in thousands)

	2003	2002
Manitoba Gaming Control Commission fees	$845	$824
Insurance	480	277
Miscellaneous	368	191
Warranties and maintenance contracts	159	223
Rent	64	91
Deposit on entertainment contracts	-	99
Trade deposits	-	87
	$1,916	$1,792

Manitoba Lotteries Corporation

Notes to Financial Statements for the year ended March 31, 2003 continued...

2. Significant Accounting Policies (continued...)

(d) Goods and Services Tax

In lieu of Goods and Services Tax (GST) on lottery and gaming revenue, the Corporation foregoes claiming input tax credits and pays an additional 7% GST on gaming expenditures, including retailer commissions. This additional 7% is reported as GST expense.

The foregone input tax credit and the additional 7% GST paid on capital expenditures are included in the cost of the asset.

An input tax credit is claimed for GST paid on non-gaming expenditures.

(e) Inventories

Inventories are valued at the lower of cost and replacement value for replacement parts and the lower of cost and net realizable value for all other inventory.

(f) Pension costs

The Corporation makes contributions for employees and officers to a Money Purchase pension plan at prescribed rates. The pension expense related to this plan for the 2003 fiscal year is $1,622,000 (2002 - $1,262,000).

Certain other employees and officers of the Corporation are pensionable under the Civil Service Superannuation Fund (the Fund). The Corporation funded in total the actuarial present value of all prior accrued basic pension and indexing obligations as at December 31, 1997. The amount funded was $4.4 million. A reserve of $240,000 (2002 - $371,000) has been established as a pension liability for employees whose annual earnings exceed the limit under the Fund plan as a gain of $131,000 was experienced in the current fiscal year based on the triennial actuarial report of pension obligations as at December 31, 2001.

Effective January 1, 1998, the Corporation began matching employee contributions to the Fund at prescribed rates. Current service contributions are recorded as an operating expense. The pension expense related to this plan for the 2003 fiscal year is $78,000 (2002 - $90,000).

(g) Financial instruments

Financial risk

Financial risk is the risk to the Corporation's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to interest, though risks associated with interest rate fluctuations are mitigated through the use of fixed-rate long-term debt.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation mitigates this risk through its credit management and collection practices.

Unless otherwise stated, the book value of cash, accounts receivable, accounts payable and accruals and long-term debt approximate fair value.

Manitoba Lotteries Corporation

Notes to Financial Statements for the year ended March 31, 2003

1. Background

The Manitoba Lotteries Foundation was established by the Manitoba Lotteries Foundation Act. On July 27, 1993, the Act was amended and continued under the Manitoba Lotteries Corporation Act. By consent of the Legislative Assembly of Manitoba, the organization continues its operations as a Crown corporation under the name of the Manitoba Lotteries Corporation (MLC).

2. Significant Accounting Policies

(a) Western Canada Lottery Corporation (WCLC)

The Western Canada Lottery Corporation (WCLC) was incorporated without share capital under Part II of the Canada Corporations Act on May 13, 1974. The Provincial Governments of Manitoba, Saskatchewan and Alberta are members in the Corporation, and the Yukon Territory, the Northwest Territories and Nunavut participate with the provinces as associate members in the sale of gaming products. Each province and territory has appointed a lottery organization to assist the WCLC with the distribution of gaming products in its jurisdiction (MLC for the province of Manitoba). The proportionate share of WCLC's sales and cost of sales is included in the financial statements based on relative sales levels by jurisdiction.

(b) Revenue and expense recognition

Revenue and expenses are recorded on an accrual basis except for lottery revenue. Lottery revenue is recorded as of the date of the draw with the exception of instant game revenue which is recorded at the time the ticket is activated by the retailer via the on-line accounting system for sale to customers. Video lottery and other gaming revenue is recorded net of prizes paid.

(c) Capital assets and depreciation

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and amortized on a straight-line basis according to their estimated useful lives. A half-year depreciation is taken in the year of acquisition.

Furniture and equipment	5 years
Gaming equipment	7 years
Buildings and parking lots	30 years
Leasehold improvements	Over term of lease
Capital lease - building	25 years
Assets related to First Nations Casino	7 years

Interest on debt used to finance major additions to capital assets is capitalized during the construction phase. The interest cost is determined using the interest rate on incremental debt incurred by the Corporation to finance these capital assets. Interest capitalized is amortized over the same period as the related asset.

Capital assets related to First Nations Casinos under the Conduct and Management Agreement consist primarily of the cost of the gaming equipment and related hardware and software. The cost of the assets and related financing costs are amortized and recovered over the seven-year term of the Conduct and Management Agreement.

During the year, the Corporation amended the rates and basis used to depreciate the capital assets. The rate was changed from a full year to a half-year in the year of acquisition, and the useful life for gaming equipment was changed from a 5-year life to a 7-year life. This change was adopted prospectively for the fiscal year ended March 31, 2003. The impact of this change for the current year was a $3,116,000 increase in net income.

Manitoba Lotteries Corporation

Statement of Cash Flows for the year ended March 31, 2003 (in thousands)

	2003	2002
Operating activities		
Net Income	$265,484	$248,234
Non-cash charges to income:		
Depreciation and amortization	14,513	16,293
Depreciation and amortization on assets related to First Nations Casinos	602	78
Loss on disposal of capital assets	389	493
Deferred pension benefits	(131)	55
	280,857	265,153
Net changes in non-cash working capital items	(3,768)	6,356
Cash provided by operating activities	277,089	271,509
Investing activities		
Purchase of capital assets	(12,411)	(21,087)
Additions to other assets	(30)	(5,701)
Cash used in investing activities	**(12,441)**	**(26,788)**
Financing activities		
Cash distributions to the Government of Manitoba:		
Current Year	(262,000)	(245,000)
Prior Year	(3,234)	(3,455)
Proceeds from long term debt	3,700	-
Repayment of long term debt	(22)	(25)
Cash used in financing activities	(261,556)	(248,480)
Increase (decrease) in cash during the year	3,092	(3,759)
Cash, beginning of year	11,061	14,820
Cash, end of year	$14,153	$11,061
Supplemental cash flow information		
Interest paid	$10,281	$10,822

(see accompanying notes to the financial statements)

Manitoba Lotteries Corporation

Statement of Net Income and Retained Earnings for the year ended March 31, 2003

(in thousands)

	Note	2003	2002
Revenue			
Gross revenue		$617,664	$582,611
Cost of sales		206,826	191,629
		410,838	390,982
Expenses			
Operating expenses		106,984	102,309
Depreciation and amortization		14,513	16,293
Interest expense		10,240	10,676
Goods and services tax		4,477	4,517
		136,214	133,795
Other Income		1,602	1,503
Income before Allocations and Payments		276,226	258,690
Allocations and Payments	12		
Provinces of Alberta and Saskatchewan		2,585	2,606
Government of Canada		2,313	2,194
Addictions Foundation of Manitoba		1,898	1,754
Charitable organizations		3,946	3,902
		10,742	10,456
Net Income		265,484	248,234
Retained Earnings, beginning of the year		5,000	5,000
Allocation to the Government of Manitoba		(265,484)	(248,234)
Retained Earnings, end of year		$5,000	$5,000

(see accompanying notes and schedule to the financial statements)

Manitoba Lotteries Corporation

Balance Sheet March 31, 2003 (in thousands)

	Notes	2003	2002
ASSETS			
Current Assets			
Cash		$14,153	$11,061
Accounts receivable	3	11,337	9,406
Inventories	4	4,432	4,164
Prepaid expense	5	1,916	1,792
		31,838	26,423
Capital Assets	6	169,506	172,599
Other Assets	7	5,731	5,701
		$207,075	$204,723
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accruals	8	$24,042	$25,365
Due to the Government of Manitoba		3,484	3,234
Due to organizations		67	189
Current portion of long term debt	9	648	30,022
		28,241	58,810
Long Term Debt	9	168,594	135,542
Accumulated Pension Benefits	2 (f)	240	371
Total Liabilities		197,075	194,723
Commitments and contingencies			
Retained Earnings	14,15		
Equity Advance from the Government of Manitoba		5,000	5,000
	10	5,000	5,000
Total Equity		10,000	10,000
		$207,075	$204,723

(see accompanying notes to the financial statements)

On behalf of the Board,

Director and Chair of the Board

Director and Chair of the Audit Committee

Auditors' Report

To the Board of Directors
Manitoba Lotteries Corporation

We have audited the balance sheet of Manitoba Lotteries Corporation as at March 31, 2003 and the statements of net income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2002 and for the year then ended were audited by other chartered accountants who expressed an opinion without reservation on those statements in their report dated May 27, 2002.

Ernst & Young LLP

Chartered Accountants
Winnipeg, Canada
May 2, 2003

Management Report

The accompanying financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Corporation are properly safeguarded. As part of the financial statement audit performed by Ernst & Young LLP, they reviewed the Corporation's internal controls to the extent they considered necessary and reported their findings to management and the Board of Directors.

The responsibility of Ernst & Young LLP is to express an independent opinion on whether the financial statements are fairly stated in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

The Audit Committee of the Board meets with management and Ernst & Young LLP to satisfy itself that each group has properly discharged its respective responsibilities and to review the financial statements before approving them. The Board has reviewed and approved the financial statements for the fiscal year ended March 31, 2003.

W. Hodgins

Winston Hodgins
President and CEO

Guy Whitehill
Vice President, Finance and Administration

Management Report

The accompanying financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Corporation are properly safeguarded. As part of the financial statement audit performed by Ernst & Young LLP, they reviewed the Corporation's internal controls to the extent they considered necessary and reported their findings to management and the Board of Directors.

The responsibility of Ernst & Young LLP is to express an independent opinion on whether the financial statements are fairly stated in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

The Audit Committee of the Board meets with management and Ernst & Young LLP to satisfy itself that each group has properly discharged its respective responsibilities and to review the financial statements before approving them. The Board has reviewed and approved the financial statements for the fiscal year ended March 31, 2003.

W. Hodgins

Winston Hodgins
President and CEO

Guy Whitehill
Vice President, Finance and Administration

AUDITORS' REPORT

To the Board of Directors of
Manitoba Product Stewardship Corporation,

We have audited the balance sheet of **MANITOBA PRODUCT STEWARDSHIP CORPORATION** as at March 31, 2003 and the statements of operations and fund balance and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements for the preceding year were audited by other chartered accountants.

Winnipeg, Canada,
May 23, 2003.

Ernst & Young LLP
Chartered Accountants

Manitoba Product Stewardship Corporation
Incorporated under the laws of Manitoba

BALANCE SHEET

As at March 31

	2003 $	2002 $
ASSETS		
Current		
Cash and term deposits *[note 2]*	5,784,215	7,265,026
Interest receivable	21,681	17,646
Levies receivable	603,112	589,886
Prepaid expenses and deposits	10,410	10,183
Total current assets	6,419,418	7,882,741
Capital assets *[note 3]*	26,274	29,038
	6,445,692	7,911,779
LIABILITIES AND FUND BALANCE		
Current		
Accounts payable and accrued liabilities	105,845	131,379
Recycling support payments payable	906,690	1,435,367
Provision for credits on levy revenue	25,000	42,914
Total current liabilities	1,037,535	1,609,660
Fund balance		
Multi-Material WRAP Fund	5,408,157	6,302,119
	6,445,692	7,911,779

See accompanying notes

On behalf of the Board:

Director

Director

Manitoba Product Stewardship Corporation

STATEMENT OF OPERATIONS AND FUND BALANCE

Year ended March 31

	2003 $	2002 $
REVENUE		
Beverage levy revenue	7,237,053	6,996,701
Levy rebates	(199,124)	(176,613)
Interest *[note 2]*	178,072	261,632
	7,216,001	7,081,720
EXPENSES		
Programs		
Municipal		
Recycling support payments to municipalities	6,494,384	5,814,097
Municipal support	113,034	113,775
	6,607,418	5,927,872
Steward		
Compliance of WRAP Act	26,750	46,139
School Education		
STAR – school payments	354,000	360,000
STAR Plus Program	138,508	136,306
School education	130,825	126,203
	623,333	622,509
Promotion		
Sponsorship	61,338	66,213
Advertising	31,177	104,628
Anti-litter campaign	79,890	118,763
Public space recycling	876	3,619
ICI Study	—	2,140
MPSC – corporate website	1,475	1,828
Corporate research	20,918	—
Consulting and planning	1,758	—
	197,432	297,191
	7,454,933	6,893,711
Administrative *[schedule]*	655,030	645,911
	8,109,963	7,539,622
Excess of expenses over revenue	(893,962)	(457,902)
Fund balance, beginning of year	6,302,119	6,760,021
Fund balance, end of year	5,408,157	6,302,119

See accompanying notes

STATEMENT OF CASH FLOWS

Year ended March 31

	2003 $	2002 $
OPERATING ACTIVITIES		
Excess of expenses over revenue	(893,962)	(457,902)
Add charges to operations not requiring a current cash payment		
Depreciation	11,731	22,882
Loss on disposal of assets	—	1,240
	(882,231)	(433,780)
Net change in non-cash working capital balances related to operations		
Interest receivable	(4,035)	30,797
Levies receivable	(13,226)	7,164
Prepaid expenses and deposits	(227)	(881)
Accounts payable and accrued liabilities	(25,534)	(130,248)
Recycling support payments payable	(528,677)	189,596
Provision for credits on levy revenue	(17,914)	—
Cash used in operating activities	(1,471,844)	(337,352)
INVESTING ACTIVITIES		
Purchase of capital assets	(8,967)	(9,126)
Cash used in investing activities	(8,967)	(9,126)
Decrease in cash during the year	(1,480,811)	(346,478)
Cash position, beginning of year	7,265,026	7,611,504
Cash position, end of year	5,784,215	7,265,026

Cash position consists of cash and term deposits.

See accompanying notes

Manitoba Product Stewardship Corporation

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Manitoba Product Stewardship Corporation ["MPSC"] was established under the Waste Reduction and Prevention Act ["WRAP"] – Multi-Material Stewardship (Interim Measures) Regulations [the "Regulations"] with the following objectives:

[a] To establish and administer a waste reduction and prevention program for designated materials for Manitoba;
[b] To provide for the effective, efficient and economical management of waste designated materials; and
[c] To administer the Multi-Material WRAP Fund.

The Multi-Material WRAP Fund is an industry-operated fund which provides for, among other initiatives, recycling support payments to municipal and local governments for eligible materials recovered from residential waste and delivered to an approved recycling facility. The Fund is currently funded by collection of levies on beverage containers supplied by a steward of beverage containers (Product Steward) to be consumed in Manitoba.

MPSC is exempt from income tax under Section 149 of the Income Tax Act.

Levy revenue and recycling support payments to municipalities

Levy revenue is charged on all non-deposit [excluding dairy] beverage containers supplied for consumption in Manitoba, subject to certain exemptions, by a Product Steward. Pursuant to the Regulations, a Product Steward is defined as the first person or business in Manitoba who, in the course of business, supplies beverages in containers to another person or business. Beverage levy revenue is recognized when the amount is received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured.

Product Stewards are eligible for credits if the beverage containers on which levies have been previously paid were supplied to consumers outside of Manitoba or if the levies are inadvertently paid by two Product Stewards on the same beverage containers. Levies are collected and credits are paid based on self assessments as reported by Product Stewards. MPSC records beverage levy revenue net of a provision for estimated credits.

Recycling Support Payments to municipalities are paid to registered Manitoba municipalities based on the tonnage of eligible materials delivered to an approved recycling facility as reported by the municipalities to MPSC. MPSC records a provision for estimated recycling support payments payable to registered municipalities who have not filed their recycling reports.

The above-noted provisions have been determined based on the results of MPSC's periodic compliance reviews of Product Stewards as well as management's experience and industry knowledge.

Capital assets

Capital assets are recorded at cost less accumulated depreciation. Depreciation is provided for by the following annual rates and methods:

Furniture and fixtures	20%	declining balance
Computer hardware	30%	declining balance
Computer software	100%	straight line

Financial instruments

Financial instruments include cash and term deposits, interest receivable, levies receivable, accounts payable and accrued liabilities and recycling support payments payable. It is management's opinion that MPSC is not exposed to significant interest, currency, or credit risks arising from these financial instruments. Due to their short-term nature, the book value of the MPSC's financial assets and liabilities approximates their fair value.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. CASH AND TERM DEPOSITS

Included in cash and term deposits are term deposits recorded at cost, held in trust by the Department of Finance of the Province of Manitoba. The term deposits bear interest at 2.85% [2002 - $1.8% to 2.0%] per annum and mature on May 9, 2003.

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

3. CAPITAL ASSETS

	2003			2002		
	Cost $	Accumulated depreciation $	Net book value $	Cost $	Accumulated depreciation $	Net book value $
Furniture and Fixtures	21,307	15,012	6,295	21,307	13,439	7,868
Computer						
Hardware	76,431	59,968	16,463	74,496	53,326	21,170
Software	143,995	140,479	3,516	136,963	136,963	—
	241,733	215,459	26,274	232,766	203,728	29,038

4. LEASE COMMITMENTS

MPSC rents office space and equipment under various leases which expire over the next three years. Future minimum lease payments required are as follows:

	$
2004	64,388
2005	18,738
2006	11,662

Manitoba Product Stewardship Corporation

SCHEDULE OF ADMINISTRATIVE EXPENSES

Year ended March 31

	2003 $	2002 $
Board members' expenses	17,151	14,371
Communication	16,426	16,474
Conference	963	4,630
Contract financial management	30,230	31,458
Depreciation	11,731	22,882
Equipment, leasing, repairs and maintenance	27,163	31,525
Insurance	9,459	7,190
Loss on asset disposal	—	1,240
Office	69,643	64,662
Professional fees	17,655	23,307
Promotion	3,212	3,478
Rent	42,702	43,123
Salaries, wages and benefits	399,449	371,325
Subscriptions	6,668	6,940
Travel and automotive	2,578	3,306
	655,030	645,911

See accompanying notes

Responsibility for Financial Statements

The financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report is consistent with that in the financial statements. The financial statements necessarily include amounts that are based on management's best estimate and judgments which have been reached based on careful assessment of data available through the Corporation's information systems. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the Corporation.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by the Internal Audit Department.

The financial statements were approved by the Board of Directors, which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit Committee (the "Committee"), which consists primarily of Directors not involved in the daily operations of the Corporation.

The general responsibilities of the Committee are categorized into the following: review of financial reporting, review of internal controls and processes, review of actuarial functions, monitoring of corporate integrity, compliance with authorities and review of performance reporting. The Committee's role is that of oversight in these areas in order to ensure management processes are in place and functioning so as to identify and minimize risks to the business operations.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Corporation's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to the external and internal auditors.

The Committee is responsible for the review of the actuarial function. As well, the Committee recommends, for approval, the appointment of the external actuary and his fee arrangements to the Board of Directors. The actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy and claims liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. In addition, the actuary provides an opinion regarding the valuation of policy and claims liabilities at the balance sheet date to meet all policyholder obligations of the Corporation. Examination of supporting data for accuracy and completeness of assets and their ability to meet the policy and claims liabilities are important elements in forming the actuary's opinion.

KPMG LLP, the Corporation's appointed external auditors, have audited the financial statements. Their Auditors' Report is included herein. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position of the Corporation in accordance with Canadian generally accepted accounting principles.

J. W. Zacharias President and Chief Executive Officer April 24, 2003	B. W. Galenzoski Vice-President Corporate Finance Chief Financial Officer and Chief Administration Officer April 24, 2003

Auditors' Report

To the Board of Directors of
Manitoba Public Insurance Corporation:

We have audited the balance sheet of Manitoba Public Insurance Corporation as at February 28, 2003 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at February 28, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were reported on by another firm of chartered accountants.

KPMG LLP

Winnipeg, Canada
April 24, 2003

Actuary's Report

To the Board of Directors of
Manitoba Public Insurance Corporation:

I have valued the policy liabilities of Manitoba Public Insurance Corporation for its balance sheet at February 28, 2003 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly present the results of the valuation.

Jim Christie

James K. Christie
Fellow, Canadian Institute of Actuaries
Winnipeg, Manitoba
April 24, 2003

Statement of Operations and Retained Earnings		Years Ended February 28	
		2003	2002
	Note	(in thousands of dollars)	
Revenues			
Premiums written		$ 641,471	$ 595,171
Premiums earned	8	$ 621,476	$ 567,585
Service fees		13,667	14,914
Total earned revenues		635,143	582,499
Claims Costs			
Claims incurred	8		
Current year		560,966	509,376
Prior years	7	(26,372)	(6,287)
		534,594	503,089
Claims expense		67,256	65,491
Loss prevention/Road safety		7,659	6,673
		609,509	575,253
Expenses			
Commissions		32,810	29,133
Operating		47,690	45,535
Premium taxes		18,980	15,030
Regulatory/Appeal		1,783	1,927
		101,263	91,625
Total claims and expenses		710,772	666,878
Underwriting loss		(75,629)	(84,379)
Investment income, net	10	52,835	67,887
Net loss before the undernoted		(22,794)	(16,492)
Discontinued operations	11	189	436
Net loss from annual operations	13	(22,605)	(16,056)
Surplus distribution	12	525	(80,825)
Net loss after surplus distribution		(22,080)	(96,881)
Allocation from basic insurance rate stabilization reserve	14	15,095	92,532
		(6,985)	(4,349)
Retained earnings balance beginning of year		83,035	87,384
Retained earnings balance end of year	[illegible]	$ 76,050	$ 83,035

The accompanying notes are an integral part of these financial statements.

Balance Sheet

	Note	February 28	
		2003	2002
		(in thousands of dollars)	
Assets			
Cash and investments	4	$ 1,278,359	$ 1,175,704
Due from other insurance companies		637	1,524
Accounts receivable		169,467	136,514
Deferred policy acquisition costs		7,929	11,588
Reinsurers' share of unearned premiums		11,191	8,515
Reinsurers' share of unpaid claims	7	56,657	61,499
Property and equipment	5	28,210	27,183
Deferred development costs		5,985	8,949
		1,558,435	1,431,476
Liabilities, Basic Insurance Rate Stabilization Reserve and Retained Earnings			
Due to other insurance companies		13,393	9,733
Accounts payable and accrued liabilities		23,643	18,900
Unearned premiums		321,544	297,952
Provision for employee current benefits		9,383	8,867
Provision for employee future benefits	6	96,161	87,086
Provision for unpaid claims	7	982,895	875,442
		1,447,019	1,297,980
Basic insurance rate stabilization reserve	14	35,366	50,461
Retained earnings	15 and 16	76,050	83,035
		111,416	133,496
		$ 1,558,435	$ 1,431,476

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

Shari Decter Hirst
Chairperson

Paul Moist
Director

Statement of Operations and Retained Earnings	Note	For Years Ended February 28 2003	 2002
		(in thousands of dollars)	
Revenues			
Premiums written		$ 641,471	$ 595,171
Premiums earned	5	$ 621,476	$ 567,585
Service fees		13,667	14,914
Total earned revenues		635,143	582,499
Claims Costs			
Claims incurred	8		
Current year		560,966	509,376
Prior years	7	(26,372)	(6,287)
		534,594	503,089
Claims expense		67,256	65,491
Loss prevention/Road safety		7,659	6,673
		609,509	575,253
Expenses			
Commissions		32,810	29,133
Operating		47,690	45,535
Premium taxes		18,980	15,030
Regulatory/Appeal		1,783	1,927
		101,263	91,625
Total claims and expenses		710,772	666,878
Underwriting loss		(75,629)	(84,379)
Investment income, net	10	52,835	67,887
Net loss before the undernoted		(22,794)	(16,492)
Discontinued operations	11	189	436
Net loss from annual operations	13	(22,605)	(16,056)
Surplus distribution	12	525	(80,825)
Net loss after surplus distribution		(22,080)	(96,881)
Allocation from basic insurance rate stabilization reserve	14	15,095	92,532
		(6,985)	(4,349)
Retained earnings balance beginning of year		83,035	87,384
Retained earnings balance end of year		$ 76,050	$ 83,035

The accompanying notes are an integral part of these financial statements.

Balance Sheet

	Note	February 28 2003	 2002
		(in thousands of dollars)	
Assets			
Cash and investments	4	$ 1,278,359	$ 1,175,704
Due from other insurance companies		637	1,524
Accounts receivable		169,467	136,514
Deferred policy acquisition costs		7,929	11,588
Reinsurers' share of unearned premiums		11,191	8,515
Reinsurers' share of unpaid claims	7	56,657	61,499
Property and equipment	5	28,210	27,183
Deferred development costs		5,985	8,949
		1,558,435	1,431,476
Liabilities, Basic Insurance Rate Stabilization Reserve and Retained Earnings			
Due to other insurance companies		13,393	9,733
Accounts payable and accrued liabilities		23,643	18,900
Unearned premiums		321,544	297,952
Provision for employee current benefits		9,383	8,867
Provision for employee future benefits	6	96,161	87,086
Provision for unpaid claims	7	982,895	875,442
		1,447,019	1,297,980
Basic insurance rate stabilization reserve	14	35,366	50,461
Retained earnings	15 and 16	76,050	83,035
		111,416	133,496
		$ 1,558,435	$ 1,431,476

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

Shari Decter Hirst
Chairperson

Paul Moist
Director

[illegible]

	Note	2003	2002
		in thousands of dollars	
Operating activities			
Net loss after surplus distribution		$ (22,080)	$ (96,881)
Discontinued operations		(189)	(436)
Non-cash items:			
Amortization of property and equipment and deferred development costs		7,639	7,213
Amortization of bond discount and premium		(794)	2,647
Gain on sale of investments		(15,669)	(15,764)
Write-down of investments		699	2,645
		(30,394)	(100,576)
Increase in cash and short-term investments from discontinued operations		59	102
Net change in non-cash balances:			
Due from other insurance companies		887	(1,358)
Accounts receivable		(32,953)	1,389
Deferred policy acquisition costs		3,659	8,257
Reinsurers' share of unearned premiums and unpaid claims		2,166	(16,105)
Due to other insurance companies		3,660	(5,995)
Accounts payable and accrued liabilities		4,743	263
Unearned premiums		23,592	27,922
Provision for employee current benefits		516	783
Provision for employee future benefits		9,075	6,555
Provision for unpaid claims		107,635	97,471
		122,980	116,438
		92,645	15,384
Investing activities			
Acquisition of property and equipment, net of proceeds from disposals		(5,053)	(8,711)
Purchase of investments		(407,661)	(475,365)
Proceeds from sale of investments		353,766	499,966
Deferred development costs incurred		(650)	
		(59,598)	[illegible]
Increase in cash and short-term investments		33,047	95,184
Cash and short-term investments, beginning of year		113,119	17,935
Cash and short-term investments, end of year		$ 146,166	$ 113,119

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

	Note	Years Ended February 28	
		2003	2002
		(in thousands of dollars)	
Cash Flows From (to) Operating Activities			
Net loss after surplus distribution		$ (22,080)	$ (96,881)
Discontinued operations		(189)	(436)
Non-cash items:			
Amortization of property and equipment and deferred development costs		7,639	7,213
Amortization of bond discount and premium		(794)	2,647
Gain on sale of investments		(15,669)	(15,764)
Write-down of investments		699	2,645
		(30,394)	(100,576)
Increase in cash and short-term investments from discontinued operations		59	102
Net change in non-cash balances:			
Due from other insurance companies		887	(1,358)
Accounts receivable		(32,953)	1,389
Deferred policy acquisition costs		3,659	6,257
Reinsurers' share of unearned premiums and unpaid claims		2,166	(16,103)
Due to other insurance companies		3,660	(5,995)
Accounts payable and accrued liabilities		4,743	(263)
Unearned premiums		23,592	27,922
Provision for employee current benefits		516	783
Provision for employee future benefits		9,075	6,355
Provision for unpaid claims		107,635	97,471
		122,980	116,458
		92,645	15,984
Cash Flows From (to) Investing Activities			
Acquisition of property and equipment net of proceeds from disposals		(5,053)	(5,711)
Purchase of investments		(407,661)	(475,065)
Proceeds from sale of investments		353,766	499,956
Deferred development costs incurred		(650)	—
		(59,598)	19,180
Increase in Cash and Short-Term Investments		33,047	35,164
Cash and short-term investments beginning of year		113,119	77,955
Cash and Short-Term Investments End of Year		$ 146,166	$ 113,119

The accompanying notes are an integral part of these financial statements.

1. Status of the Corporation

The Manitoba Public Insurance Corporation (the "Corporation") was incorporated as a Crown Corporation under The Automobile Insurance Act in 1970. In 1974, The Automobile Insurance Act was revised and became The Manitoba Public Insurance Corporation Act (Chapter A180 of the continuing consolidation of the Statutes of Manitoba). In 1988, the Act was re-enacted in both official languages as Chapter P215 of the Statutes of Manitoba.

Under the provisions of its Act and regulations, the Corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for basic universal compulsory automobile insurance, extension and special risk coverages. For financial accounting purposes, the lines of business for the automobile insurance division and the discontinued general insurance division are regarded as separate operations and their revenues and expenses are allocated on a basis described in the summary of significant accounting policies.

2. Basis of Reporting

The financial statements of the Corporation are in such form as prescribed by Section 43(1) of The Manitoba Public Insurance Corporation Act and are presented in accordance with Canadian generally accepted accounting principles.

The external actuary is appointed by the Board of Directors of the Corporation. With respect to preparation of these financial statements, the external actuary is required to carry out a valuation of the policy liabilities and to report thereon to the Corporation's Board of Directors.

The external actuary, in his verification of the information prepared by the Corporation used in the valuation, also uses the work of the external attest auditors.

The external attest auditors are appointed by the Lieutenant Governor in Council to conduct an independent and objective audit of the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external attest auditors also make use of the work of the external actuary and his report on the Corporation's policy liabilities. The external attest auditors' report outlines the scope of their audit and their opinion.

3. Summary of Significant Accounting Policies

This summary outlines those accounting policies followed by the Corporation which have a significant effect on the financial statements.

Investments

Funds available for investments are invested by the Department of Finance, on behalf of the Corporation, in accordance with Section 12(1) of The Manitoba Public Insurance Corporation Act.

Investments in bonds are carried at amortized costs. The applicable discounts or premiums are amortized over the life of the bond.

Investments in equities and other investments are carried at cost. Dividends on equity investments are recognized on an accrual basis.

Gains and losses on investments are recognized on the date of sale. Investments are written down to market value when there is a decline in value that is considered other than temporary.

The Corporation has invested in an equity-linked note that is similar to a bond instrument, except for the interest component which is indexed to the Standard & Poor's 500 Composite Stock Price Index. Any interest component arising from changes in the index is recorded currently in the Statement of Operations and Retained Earnings under the heading "Investment income, net".

The Corporation invests in total return swaps as part of its investment strategy to provide limited exposure to certain equity markets. Total return swaps are financial instruments whose value is derived from an underlying financial instrument, product or index. Total return swaps are recorded at fair value at the balance sheet date and presented under the heading "Cash and investments". Any gains or losses arising from changes in fair value are recorded currently in the Statement of Operations and Retained Earnings under the heading "Investment income, net".

Deferred Policy Acquisition Costs

Commissions and premium taxes are deferred and charged to expense over the term of the insurance contract to which such costs relate.

Property and Equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis which will amortize the cost of each asset over its estimated useful life:

Land improvements	25 years
Buildings	40 years
Equipment:	
• Data processing	3 years
• Automotive	5 years
• Other	10 years

Leasehold improvements are amortized over the term of the lease plus the first renewal period.

Deferred Development Costs

The costs of developing major information systems which are expected to be of continuing benefit to the Corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and are amortized on a straight-line basis over five years.

Unearned Premiums

The liability for unearned premiums is the portion of premiums that relate to the unexpired term of each insurance contract.

Provision for Employee Benefits

Provision for Employee Current Benefits

The provision for employee current benefits includes an accrual for vacation pay determined in accordance with the Collective Agreement.

Provision for Employee Future Benefits

Included in the provision for employee future benefits are the pension benefit plan and other benefit plans.

i) Pension Benefit Plan

The employees of the Corporation are members of a defined benefit pension plan administered under the Civil Service Superannuation Act. Included in the accounts is a provision for the employer's future pension liability calculated on an indexed basis. The provision for pension is actuarially determined on an annual basis using the projected benefit method prorated on services. The actuarial present value of the accrued pension benefits is measured using the Corporation's best estimates based on assumptions relating to market interest rates at the measurement date based on high quality debt instruments, salary changes, withdrawals and mortality rates. Experience gains and losses are amortized over the expected average remaining service life of the employee group.

ii) Other Benefit Plans

Other benefit plans consist of post-retirement extended health and severance pay benefits.

The provision for post-retirement extended health benefits is actuarially determined on an annual basis using the projected benefit method prorated on services, which includes the Corporation's best estimates based on assumptions relating to retirement ages of employees and expected health costs.

Employees of the Corporation are entitled to severance pay in accordance with the Collective Agreement and Corporation policy. The provision for severance pay is actuarially determined on an annual basis using the projected benefit method prorated on services, without salary projection, which includes the Corporation's best estimates based on assumptions relating to the proportion of employees that will ultimately retire. The resulting provision is amortized over the expected average remaining service life of the employee group.

Provision for Unpaid Claims

The provision for unpaid claims represents an estimate for the full amount of all costs, including adjustment expenses, and the projected final settlements of claims incurred to the balance sheet date. These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. These provisions are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded as incurred claims in the current period.

Salvage and Subrogation

Recoveries from salvage and subrogation are recorded as an offset to claim costs. Expected future subrogation recoveries are included in the provision for unpaid claims.

Premium Deficiencies

A premium deficiency exists when future claims and related expenses exceed unearned premiums. In calculating a premium deficiency, the Corporation recognizes anticipated investment income.

Premium deficiencies are recognized first by writing down the deferred policy acquisition costs with any remainder recognized as a liability.

Allocation of Revenue, Claims Incurred and Expenses

Premiums written, premiums earned and claims incurred are allocated directly to the division writing the insurance risk.

Investment income is allocated to the automobile insurance division lines of business and the discontinued general insurance division based on a monthly averaging of the funds available within each division.

Expenses, including claims expense, are allocated to the automobile insurance division lines of business on the following basis:

i) Identifiable direct expenses are charged to each line of business.

ii) Where direct allocation is not possible, expenses are prorated to each line of business based mainly on factors such as space, number of employees and time usage. The formulas developed for the allocation of expenses are approved by the Board of Directors.

Reinsurance Ceded

Premiums, claims and expenses are reported net of amounts due to and recoverable from reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable to policyholders.

The reinsurers' share of unearned commissions is recognized as a liability in a manner which is consistent with the method used in determining deferred policy acquisition costs.

The reinsurers' share of unearned premiums is recognized as an asset in a manner which is consistent with the method used in determining the unearned premium liability.

Foreign Currency Translation

Monetary items denominated in foreign currencies are adjusted to reflect the exchange rate in effect at the year-end. Revenue and expense items in foreign currencies are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

Basic Insurance Rate Stabilization Reserve

The basic insurance rate stabilization reserve relates to basic compulsory automobile insurance and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events or factors.

Retained Earnings

Retained earnings are comprised of the accumulation of net income or losses for the extension, special risk and discontinued lines of business.

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

[illegible]

	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in thousands of dollars)			
Cash and short-term investments	$ 146,166	$ 146,166	$ 113,119	$ 113,119
Bonds				
Federal	154,840	162,762	133,219	133,020
Manitoba:				
Provincial	120,098	125,316	154,163	157,884
Municipal	42,691	42,788	47,400	47,946
Hospitals	15,471	15,490	16,311	16,332
Schools	261,467	261,467	254,907	254,907
Other Provinces	328,046	337,957	247,586	257,485
Corporations	60,356	63,756	86,757	90,418
Equity-linked note	20,000	20,000	20,000	20,000
	1,002,969	1,029,536	960,343	977,992
Other	4,734	4,734	4,237	4,237
Equity investments and total return swaps	124,490	129,895	98,005	110,417
	129,224	134,629	102,242	114,654
	$ 1,278,359	$ 1,310,331	$ 1,175,704	$ 1,205,765

Fair value for cash and short-term investments approximates carrying value due to the short-term maturity of these financial instruments.

The fair value of bonds for federal, provincial, certain municipal, other provinces and corporations is estimated based on bid prices of these or similar investments.

The fair value of certain municipal, hospitals, school bonds and other is based on their carrying value which approximates market value.

The fair value of the equity-linked note and equity investments is based upon quoted market values.

The fair value of the portfolio of total return swaps is based upon market prices of the underlying stock market indices at the balance sheet date, net of estimated unwinding costs.

[illegible]

Investments carry certain financial risks including interest rate, cash flow and credit risk. The Corporation manages these risks through the Investment Committee of the Board, which meets quarterly to discuss strategy. The investment objectives and goals of the Corporation are embodied in an Investment Policy document, which sets target asset allocation and portfolio concentration limits as well as defining the credit quality of the counterparties and the percentage of highly liquid investments required to meet cash flow needs. Credit risk is also managed through the use of master netting agreements in all total return swap contracts. Such agreements provide for the simultaneous close-out and netting of transactions with a counterparty in the event of default.

Significant terms and conditions, exposure to interest rate and credit risks on investments are:

i) Cash and short-term investments

Cash consists of cash net of cheques issued in excess of amounts on deposit. Included in cash and short-term investments are funds held in trust on behalf of other insurance companies in the amount of $5,500,000 (2002 - $3,700,000).

Short-term investments have a total principal amount of $130,897,000 (2002 - $106,280,000) comprised of provincial short-term deposits with effective interest rates of 2.55% to 2.80% (2002 – 1.95% to 2.10%), with interest receivable at varying dates.

4. Cash and Investments

	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in thousands of dollars)			
Cash and short-term investments	$ 146,166	$ 146,166	$ 113,119	$ 113,119
Bonds				
Federal	154,840	162,762	133,219	133,020
Manitoba:				
Provincial	120,098	125,316	154,163	157,884
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Other Provinces	328,046	337,957	247,586	257,485
Corporations	60,356	63,756	86,757	90,418
Equity-linked note	20,000	20,000	20,000	20,000
	1,002,969	1,029,536	960,343	977,992
Other	4,734	4,734	4,237	4,237
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Investment Risk

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ii) Bonds - interest rate risk

	Interest Receivable Basis	2003		2002	
		Effective Rate	Coupon Rate	Effective Rate	Coupon Rate
		% Range		% Range	
Federal	semi-annual	3.58 to 5.44	4.00 to 8.75	2.49 to 5.80	4.00 to 10.00
Provincial	semi-annual	3.23 to 5.93	4.75 to 10.50	3.00 to 6.28	4.75 to 10.50
Municipal	semi-annual	3.45 to 14.06	6.00 to 14.88	3.07 to 16.10	6.00 to 17.50
Hospitals	semi-annual	10.13 to 13.56	10.13 to 13.63	10.13 to 16.00	10.13 to 16.00
Schools	semi-annual	5.66 to 13.95	5.75 to 14.75	5.66 to 14.05	5.75 to 14.75
Corporations	semi-annual	3.25 to 10.20	5.00 to 11.25	2.93 to 8.93	5.00 to 11.25

The Corporation has allocated investments with an average yield of 9.5% (2002 - 10.6%) to maturity to fully fund pre-March 1, 1994 discounted unpaid claims of approximately $25.3 million.

iii) Bonds - maturity profile

2003	Within One Year	One Year to Five Years	After Five Years	Total Carrying Value
	(in thousands of dollars)			
Federal	$ —	$ 26,488	$ 128,352	$ 154,840
Manitoba:				
Provincial	4,371	15,634	100,093	120,098
Municipal	726	5,794	36,171	42,691
Hospitals	79	419	14,973	15,471
Schools	850	15,051	245,566	261,467
Other Provinces	—	33,919	294,127	328,046
Corporations	5,364	8,177	46,815	60,356
	11,390	105,482	866,097	982,969
Equity-linked note	—	20,000	—	20,000
	$ 11,390	$ 125,482	$ 866,097	$ 1,002,969

2002	Within One Year	One Year to Five Years	After Five Years	Total Carrying Value
	(in thousands of dollars)			
Federal	$ 1,006	$ 30,742	$ 101,471	$ 133,219
Manitoba:				
Provincial	—	10,720	143,443	154,163
Municipal	13,503	5,944	27,953	47,400
Hospitals	308	834	15,169	16,311
Schools	23	15,139	239,745	254,907
Other Provinces	—	16,978	230,608	247,586
Corporations	5,007	24,697	57,053	86,757
	19,847	105,054	815,442	940,343
Equity-linked note	—	—	20,000	20,000
	$ 19,847	$ 105,054	$ 835,442	$ 960,343

Total Return Swaps

In the normal course of operations, the Corporation enters into total return swaps to provide a return based upon an underlying Canadian and/or USA equity index. The agreements provide that, at predetermined future dates, the Corporation pays a fixed interest amount based upon a notional principal amount and receives a return based upon the underlying equity index.

The notional amounts of total return swaps are not recorded as assets or liabilities on the balance sheet as they represent the face amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged under the contracts. Notional amounts represent the volume of outstanding transactions and do not represent the potential gain or loss associated with market risk or credit risk of such instruments.

At February 28, 2003 the notional amount of total return swaps was $75,587,000 (2002 - $85,124,000). All total return swaps have a residual term to contractual maturity of one year or less.

As at February 28, 2003, the Corporation had a commitment to purchase total return swaps with a notional amount of $44,457,000, to replace total return swaps with a combined notional amount of $45,499,000 that mature March 3 and 5, 2003.

[illegible]

	2003			2002
	Cost	Accumulated Amortization	Carrying Value	Carrying Value
		(in thousands of dollars)		
Land	$ 2,070	$ —	$ 2,070	$ 1,919
Land improvements	3,769	1,416	2,353	2,402
Buildings	23,315	8,177	15,138	14,840
Equipment	41,697	33,165	8,532	8,022
	70,851	42,758	28,093	27,183
Leasehold improvements	1,644	1,527	117	—
	$ 72,495	$ 44,285	$ 28,210	$ 27,183

Total Return Swaps

In the normal course of operations, the Corporation enters into total return swaps to provide a return based upon an underlying Canadian and/or USA equity index. The agreements provide that, at predetermined future dates, the Corporation pays a fixed interest amount based upon a notional principal amount and receives a return based upon the underlying equity index.

The notional amounts of total return swaps are not recorded as assets or liabilities on the balance sheet as they represent the face amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged under the contracts. Notional amounts represent the volume of outstanding transactions and do not represent the potential gain or loss associated with market risk or credit risk of such instruments.

At February 28, 2003 the notional amount of total return swaps was $70,387,000 (2002 - $83,124,000). All total return swaps have a residual term to contractual maturity of one year or less.

As at February 28, 2003, the Corporation had a commitment to purchase total return swaps with a notional amount of $44,457,000, to replace total return swaps with a combined notional amount of $45,499,000 that mature March 3 and 5, 2003.

5. Property and Equipment

	2003			2002
	Cost	Accumulated Amortization	Carrying Value	Carrying Value
	(in thousands of dollars)			
Land	$ 2,070	$ —	$ 2,070	$ 1,919
Land improvements	3,769	1,416	2,353	2,402
Buildings	23,315	8,177	15,138	14,840
Equipment	41,697	33,165	8,532	8,022
	70,851	42,758	28,093	27,183
Leasehold improvements	1,644	1,527	117	—
	$ 72,495	$ 44,285	$ 28,210	$ 27,183

Provision for Employee Future Benefits

The Corporation has a number of defined benefit plans providing pension and other benefits to eligible employees. The results from the latest valuation as at December 31, 2002 projected to February 28, 2003 and the major assumptions used are as follows:

		Pension Benefit Plan		Other Benefit Plans	
	Note	**2003**	2002	**2003**	2002
Economic assumptions:					
Discount rate		6.00%	6.25%	6.00%	6.25%
Inflation rate		2.75%	2.00%	—	—
Expected salary increase		2.75%	3.00%	—	—
Expected health care cost increase		—	—	4.00%	2.50%
		(in thousands of dollars)			
Plan valuations:					
Present value of plan benefits		$ 93,241	$ 77,486	$ 14,716	$ 12,149
Unamortized actuarial losses		(11,796)	(2,549)	—	—
Provision for employee future benefits		$ 81,445	$ 74,937	$ 14,716	$ 12,149
Financial information:					
Plan expense		$ 8,267	$ 6,975	$ 3,206	$ 1,896
Allocated to investment income	10	(4,648)	(3,876)	—	—
		$ 3,619	$ 3,099	$ 3,206	$ 1,896
Employee contributions		$ 3,544	$ 3,331	$ —	$ —
Benefits/premiums paid		$ 1,758	$ 1,994	$ 640	$ 522

The Corporation has not segregated investment assets to fund the benefit plans. Funding occurs as benefits are paid to employees.

[illegible]

The provision for unpaid claims, including adjustment expenses, represents an estimate for the full amount of all costs and the projected final settlement of claims incurred.

The provision for unpaid claims, including adjustment expenses, is subject to variability. This variability is related to future events that arise from the date the loss was reported to the ultimate settlement of the claims. Accordingly, short-tail claims such as physical damage claims tend to be more reasonably predictable than long-tail claims such as public liability claims. Factors such as the receipt of additional claims information during the claims settlement process, changes in severity and frequencies of claims from historical trends and effects of inflationary trends contribute to this variability.

The determination of the provision for unpaid claims, including adjustment expenses, relies on judgment, analysis of historical claim trends and expectation on the future development of claims. The process of establishing this provision necessarily involves risks which could cause the actual results to deviate, perhaps substantially, from the best determinable estimate.

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

	2003		2002	
	Gross	Reinsurers' Share	Gross	Reinsurers' Share
	(in thousands of dollars)			
Automobile Insurance Division				
Liability	$ 884,900	$ 52,791	$ 782,614	$ 52,352
Physical Damage	89,178	3,866	83,830	9,147
	974,078	56,657	866,444	61,499
Discontinued Operations				
Personal/Commercial	8,817	—	8,998	—
	$ 982,895	$ 56,657	$ 875,442	$ 61,499

The provision for unpaid claims includes $670.9 million (2002 - $562.0 million) in unpaid personal injury protection plan (P.I.P.P.) and pre-P.I.P.P. accident benefits. This provision is discounted to reflect the time value of money using various interest rates as follows:

Benefits	Interest Rate Assumptions
Pre-P.I.P.P. Weekly Indemnity	9.0% for eight years and 3.0% thereafter
Pre-P.I.P.P. Other than weekly indemnity, **P.I.P.P. Death and Impairment**	By year – 6.40%, 6.05%, 5.70%, 5.35% and 5.00% thereafter
P.I.P.P. Other than death and impairment	3.0%

According to accepted actuarial practice, the discounted reserve includes a provision for adverse deviation of $118.9 million (2002 - $100.0 million) comprised of a claims development component of $67.2 million (2002 - $55.9 million) and an interest rate component of $51.7 million (2002 - $44.1 million).

No catastrophic losses are included in net incurred claims and adjustment expenses during the current fiscal year (2002 – $5.0 million). Catastrophes are an inherent risk to the Corporation and may contribute materially to the year-to-year fluctuations in the Corporation's results of operations and financial condition when they occur.

Unpaid claim liabilities are carried at a value which reflect their remaining estimated ultimate costs for all accident years.

Changes in the estimate of net unpaid claims, for the Automobile Insurance Division, recognized during the fiscal year ended February 28, 2003 for prior years are as follows:

	Accident Years				
	2002	2001	2000	1999 and Prior	Total
	(in thousands of dollars)				
Net unpaid claims (valuation estimate as at February 28, 2002)	$ 228,259	$ 116,018	$ 86,921	$ 371,478	
Net payments for the year	84,757	15,572	9,916	19,446	
	143,502	100,446	77,005	352,032	
Net unpaid claims (revised valuation estimate as at February 28, 2003)	127,714	95,269	66,100	357,530	
(Redundancy) Deficiency	$ (15,788)	$ (5,177)	$ (10,905)	$ 5,498	$ (26,372)
Prior years (redundancy) deficiency		$ (14,012)	$ 2,054	$ 5,671	$ (6,287)

The claims settlement processes may involve the use of structured settlements, which are purchased through various financial institutions. As of the balance sheet date, the present value of expected payments total $112.8 million (2002 - $107.9 million) based on various dates of purchase. The Corporation assumes a financial guarantee to make payments to claimants in the event that financial institutions default on payments under the terms of the structured settlement.

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 28, 2003 are $0.2 million (2002 - $0.4 million). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

The Corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 28, 2003, these reinsurance agreements limit the Corporation's exposure to a maximum amount of $2.0 million (2002 - $2.0 million) on any one occurrence.

The reinsurance arrangements also limit the Corporation's liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of $6.7 million (2002 - $6.7 million). These arrangements protect the Corporation against losses up to $166.7 million (2002 - $183.3 million).

Certain lines of insurance carry maximum limits lower than these amounts. While these arrangements are made to protect against large losses, the primary liability to the policyholders remains with the Corporation.

The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency.

The figures shown in the Statement of Operations and Retained Earnings, excluding discontinued operations, are net of the following amounts relating to reinsurance ceded to other companies:

	2003	**2002**
	(in thousands of dollars)	
Premiums earned	$ 10,673	$ 14,246
Claims incurred	$ 16,900	$ 24,710

The Corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of $6.1 million (2002 - $5.6 million).

The Corporation is committed to make minimum annual operating lease payments for buildings and equipment. The minimum annual lease payments required are approximately as follows:

Fiscal Year	**Minimum Lease Payments**
	(in thousands of dollars)
2004	$ 2,688
2005	$ 2,199
2006	$ 2,169
2007	$ 2,140
2008	$ 2,126

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

	2003		2002	
	Gross	Reinsurers' Share	Gross	Reinsurers' Share
	(in thousands of dollars)			
Automobile Insurance Division				
Liability	$ 884,900	$ 52,791	$ 782,614	$ 52,352
Physical Damage	89,178	3,866	83,830	9,147
	974,078	56,657	866,444	61,499
Discontinued Operations				
Personal/Commercial	8,817	—	8,998	—
	$ 982,895	$ 56,657	$ 875,442	$ 61,499

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Prior years (redundancy) deficiency		$ (14,012)	$ 2,054	$ 5,671	$ (6,287)

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The reinsurance arrangements also limit the Corporation's liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of $6.7 million (2002 - $6.7 million). These arrangements protect the Corporation against losses up to $166.7 million (2002 - $183.3 million).

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	(in thousands of dollars)
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2005	$ 2,199
2006	$ 2,169
2007	$ 2,140
2008	$ 2,126

[illegible]

	Note	2003	2002
		(in thousands of dollars)	
Total investment income		$ 57,580	$ 71,887
Less allocation to:			
Discontinued operations		97	124
Provision for pension benefit plan	6	4,648	3,876
Investment income, net		$ 52,835	$ 67,887

Included in total investment income are cash dividends of $2.3 million (2002 - $1.7 million).

[illegible]

The Corporation discontinued writing reinsurance assumed business effective November 18, 1987 and personal and commercial insurance policies effective October 1, 1990.

As of February 28, 2001 the Corporation accepted a third party offer to purchase the reinsurance assumed business from the Corporation. Under the terms of the agreement, the Corporation transferred and assigned to the third party the title, interest and all of the obligations resulting from the uncommuted reinsurance assumed treaties written by the Corporation for the period July 1, 1975 to November 18, 1987 including retrocessional treaties. The obligations include all known or unknown liabilities. The primary liability to the treaty holders remains with the Corporation in the event of the third party's insolvency.

Claims costs and expenses on personal and commercial policies will be incurred until all claims on existing policies are settled.

Discontinued operations resulted in a net income of $189,000 in 2003 (2002 - $436,000). Included in the provision for unpaid claims is $8.8 million (2002 - $9.0 million) relating to discontinued operations.

[illegible]

On December 4, 2000 the Public Utilities Board of Manitoba approved the Corporation's 2001/2002 Basic Insurance rate application which included a one-time surplus distribution of 16.6 % on motor vehicle premiums renewed during the 2001/2002 fiscal year.
The surplus distribution was allocated (from) to the Basic Insurance Rate Stabilization Reserve to the Statement of Operations and Retained Earnings as follows:

	2003	2002
	(in thousands of dollars)	
Surplus distribution	$ 525	$ (80,825)

[illegible]

The lines of business reported net income (loss) from annual operations as follows:

	2003	2002
	(in thousands of dollars)	
Basic insurance	$ (30,135)	$ (11,707)
Extension insurance	3,292	(11,606)
Special risk extension	4,049	6,821
Discontinued operations	189	436
	7,530	(4,349)
Net loss from annual operations	$ (22,605)	$ (16,056)

10. Investment Income, Net

	Note	2003	2002
		(in thousands of dollars)	
Total investment income		$ 57,580	$ 71,887
Less allocation to:			
Discontinued operations		97	124
Provision for pension benefit plan	6	4,648	3,876
Investment income, net		$ 52,835	$ 67,887

Included in total investment income are cash dividends of $2.3 million (2002 - $1.7 million).

11. Discontinued General Insurance Operations

The Corporation discontinued writing reinsurance assumed business effective November 18, 1987 and personal and commercial insurance policies effective October 1, 1990.

As of February 28, 2001 the Corporation accepted a third party offer to purchase the reinsurance assumed business from the Corporation. Under the terms of the agreement, the Corporation transferred and assigned to the third party the title, interest and all of the obligations resulting from the uncommuted reinsurance assumed treaties written by the Corporation for the period July 1, 1975 to November 18, 1987 including retrocessional treaties. The obligations include all known or unknown liabilities. The primary liability to the treaty holders remains with the Corporation in the event of the third party's insolvency.

Claims costs and expenses on personal and commercial policies will be incurred until all claims on existing policies are settled.

Discontinued operations resulted in a net income of $189,000 in 2003 (2002 - $436,000). Included in the provision for unpaid claims is $8.8 million (2002 - $9.0 million) relating to discontinued operations.

12. Surplus Distribution

On December 4, 2000 the Public Utilities Board of Manitoba approved the Corporation's 2001/2002 Basic Insurance rate application which included a one-time surplus distribution of 16.6% on motor vehicle premiums renewed during the 2001/2002 fiscal year.
The surplus distribution was allocated (from) to the Basic Insurance Rate Stabilization Reserve to the Statement of Operations and Retained Earnings as follows:

	2003	2002
	(in thousands of dollars)	
Surplus distribution	$ 525	$ (80,825)

13. Net Loss from Annual Operations

The lines of business reported net income (loss) from annual operations as follows:

	2003	2002
	(in thousands of dollars)	
Basic insurance	$ (30,135)	$ (11,707)
Extension insurance	3,292	(11,606)
Special risk extension	4,049	6,821
Discontinued operations	189	436
	7,530	(4,349)
Net loss from annual operations	$ (22,605)	$ (16,056)

[illegible] Basic Insurance Rate Stabilization Reserve

	Note	2003	2002
		(in thousands of dollars)	
Balance beginning of year		$ 50,461	$ 142,993
Net loss from annual operations	13	(30,135)	(11,707)
Surplus distribution		525	(80,825)
Transfer from Special Risk Extension		14,515	—
		(15,095)	(92,532)
Balance at end of year		$ 35,366	$ 50,461

[illegible]

	Note	2003	2002
		(in thousands of dollars)	
Balance beginning of year		$ 83,035	$ 87,384
Net income (loss) for the year	13	7,530	(4,349)
Transfer to Basic Insurance Rate Stabilization Reserve		(14,515)	—
		(6,985)	(4,349)
Balance at end of year		$ 76,050	$ 83,035

[illegible]

Annually on March 1, the Corporation will transfer to the Basic Insurance Rate Stabilization Reserve, retained earnings in excess of the approved target levels from the Special Risk Extension and Extension lines of business. The approved target levels to February 28, 2005, established by the Board of Directors, are:

Transfer Start Date	Line of Business	Target Level
March 1, 2002	Special Risk Extension	$33.0 Million
March 1, 2003	Extension	$39.0 Million

At March 1, 2003 the transfer from Special Risk Extension will approximate $4.0 million (2002 - $14.5 million). No transfer is expected from the Extension line of business.

17. Fair Value Disclosure

The fair value of financial assets and liabilities, other than cash and investments (note 4) and provision for unpaid claims (note 7) approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

18. External Attest Auditor and External Actuary Costs

The Basis of Reporting note (note 2) provides information on the appointment of the external attest auditor and external actuary. In the normal course of business, and in addition to the annual attest audit of the Corporation's financial statements and valuation of policy liabilities, the external attest auditor and external actuary provided advisory services to the Corporation.

Costs incurred for services rendered are:

	2003	2002
	(in thousands of dollars)	
External Attest Auditor		
Attest Audit Fees	$ 103	$ 101
Advisory Fees:		
Arthur Andersen LLP	—	117
KPMG LLP	—	105
Total	$ 103	$ 323
External Actuary		
Valuation of Policy Liabilities Fees	$ 70	$ 58
Actuarial Advisory Fees	69	26
Management Advisory Fees	32	81
Total	$ 171	$ 165

19. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year financial statement presentation.

AUDITORS' **REPORT**

To the Workers Compensation Board of Manitoba

We have audited the balance sheet of the Workers Compensation Board of Manitoba as at December 31, 2002 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2001 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 1, 2002.

Grant Thornton LLP

Winnipeg, Canada
February 28, 2003

Grant Thornton LLP
Chartered Accountants

BALANCE SHEET

December 31, 2002
(in thousands of dollars)

	2002	2001
Assets		
Cash (Note 3)	$ (371)	$ 2,025
Receivables (Note 4)	23,322	22,694
Investment portfolio (Note 5)	712,634	712,531
Deferred assessments (Note 6)	20,899	20,872
Capital assets (Note 7)	12,484	13,046
	$ 768,968	$ 771,168
Liabilities and Fund Balances		
Payables and accrued liabilities (Note 8)	$ 15,817	$ 12,896
Benefit liabilities (Note 10)	677,965	683,131
Total liabilities	693,782	696,027
Rate stabilization fund balance (Note 11)	55,168	55,123
Accident fund balance (Note 11)	20,018	20,018
	$ 768,968	$ 771,168

Signed on behalf of the Board of Directors

Wally Fox-Decent

Wally Fox-Decent
Chairperson, Board of Directors

Bruno Zimmer
Finance Committee of the Board of Directors

The accompanying notes are an integral part of the financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2002
(in thousands of dollars)

	2002	2001
Revenue		
Premiums – Class E employers	$ 129,073	$ 126,024
Premiums – Self-insured employers	16,945	17,058
Total premium revenue	146,018	143,082
Investment income required to support actuarially determined benefit liabilities (Note 5)	51,241	50,570
Investment income exceeding (below) actuarial requirement (Note 5)	(17,400)	3,500
Total investment income	33,841	54,070
Total revenue	179,859	197,152
Expenses		
Claim costs incurred (Note 10)	131,910	149,729
Operating expenses (Note 12)	47,931	47,389
Total expenses	179,841	197,118
Operating surplus before deferred assessments	18	34
Increase (decrease) in deferred assessments	27	(2,476)
Operating surplus (deficit)	$ 45	$ (2,442)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FUND BALANCES

Year Ended December 31, 2002
(in thousands of dollars)

	2002	2001
Rate stabilization fund balance		
Balance at beginning of year	$ 55,123	$ 57,565
Allocation from operating surplus (deficit)	45	(2,442)
Balance at end of year	$ 55,168	$ 55,123
Accident fund balance		
Balance at beginning of year	$ 20,018	$ 20,018
Allocation from operating surplus (deficit)	0	0
Balance at end of year	$ 20,018	$ 20,018

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2002
(in thousands of dollars)

	2002	2001
Operating cash flows		
Premiums from employers	$ 145,380	$ 142,270
Investment revenue	25,666	30,280
Payments to claimants or third parties on their behalf	(137,076)	(141,682)
Purchases of administration goods and services	(44,479)	(46,036)
Net cash used by operating activities	(10,509)	(15,168)
Investing cash flows		
Proceeds on disposal of investments	858,683	666,974
Purchase of investments	(847,631)	(648,116)
Capital asset acquisitions, net of disposals	(2,939)	(3,165)
Net cash provided by investing activities	8,113	15,693
Net (decrease) increase in cash	(2,396)	525
Cash at beginning of year	2,025	1,500
Cash at end of year (Note 3)	$ (371)	$ 2,025

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2002
($ amounts in thousands of dollars unless otherwise noted)

1. Nature of Operations

The Workers Compensation Board of Manitoba (the WCB) operates under the authority of *The Workers Compensation Act of Manitoba*. The WCB is responsible, in accordance with the provisions of the Act for:

- administering payments to injured workers and suppliers of services to injured workers,
- levying and collecting premiums from established classes of employers in amounts sufficient to cover the current and future costs of existing claims, and
- investing surplus funds.

An independent Workers Compensation Appeal Commission is established under the Act to make final rulings on any appeals pertaining to the WCB's assessment or benefits decisions.

The WCB's mission is to provide superior compensation services to Manitoba workers and employers in a manner that is sensitive, responsive and effective in order to minimize the impact of workplace injuries.

The WCB's funding policy is intended to ensure that fiduciary responsibilities are carried out in accordance with the Act and that annual influences do not unduly distort the funding process. The WCB is committed to operating on a fully-funded basis to a level-funding standard. Full funding requires that current employers pay for the current and future cost of existing compensable injuries and their administration, rather than future generations of employers paying for those injuries. Under level funding, the cost of claims with lengthy latency periods is funded in a level fashion over the worker's period of exposure to the elements which lead to the injury or disease.

2. Significant Accounting Policies

The WCB's significant accounting policies are as follows:

Measurement Uncertainty

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada, which requires the WCB to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Investments

Short-term investments are carried at cost. The remaining investments are recorded at cost adjusted toward market value using the moving average market method. Unrealized and realized gains and losses are deferred and amortized on a straight-line basis over 60 months. Interest and dividend income are recognized in the period earned.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Computer equipment	3 - 5 years
Systems development	3 - 5 years
Furniture, fixtures and equipment	5 years
Building renovations	10 years
Building	40 years

Employee Future Benefits

The cost of providing pension and other post-employment benefits to employees is recorded as an expense in the period in which employees' services are rendered. The corridor approach is used to record actuarial gains and losses for both the pension plan and other post-employment benefits. Under this approach, the annual actuarial gains and losses are aggregated and, if that amount exceeds 10% of the greater of plan assets or liabilities, the excess amount is amortized over the expected average remaining service life of the covered employees.

Benefit liabilities

The WCB's independent consulting actuary conducts a review of and reports on the benefit liabilities of the WCB at each year-end. The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims or injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims and provisions for the future expenses of administering the existing claims.

The benefit liabilities also include the estimated liability for long latent occupational diseases. Due to the nature of the estimated liability for long latent occupational diseases and the extent of related historical claims information available, this liability is more uncertain by its nature than other benefit liabilities. As information is accumulated and analyzed, adjustments may be necessary to improve precision.

Premium revenue

The operations of the WCB are categorized, in accordance with the Act, into Class E (general employers pool) and several classes of self-insured employers. Employers registered within Class E are subject to collective liability, and assessment premiums are determined by applying applicable industry assessment rates to the employers' reported payrolls for the current year.

Self-insured employers, principally government bodies and railways and their subsidiaries, are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of the self-insured employers.

Foreign currency translation

Assets and liabilities, with the exception of investments, denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The foreign currency exchange gains and losses for investments are recorded in the same manner as the related investment gains, losses, revenues or expenses.

3. Cash

	2002	2001
Money market instruments	$ 3	$ 33
Bank balances	1,655	3,813
Cheques issued and outstanding	(2,029)	(1,821)
	$ (371)	$ 2,025

The WCB has established an operating line of credit with its principal banker in the amount of $3 million. Advances on the line of credit bear interest at the bank's prime interest rate. The WCB has also established a revolving credit facility with the Treasury Division of the Province of Manitoba in the amount of $40 million. Advances on the revolving credit facility bear interest at the Province's preferred lending rate. Both credit facilities are unsecured.

4. Receivables

	2002	2001
Premiums for Class E employers	$ 19,824	$ 19,368
Allowance for doubtful accounts	(1,869)	(1,676)
	17,955	17,692
Prepaid employee pension plan costs	-	93
Premiums for self-insured employers	2,871	1,983
Mortgages	1,100	1,400
Sundry	1,396	1,526
	$ 23,322	$ 22,694

Mortgages receivable bear interest at a rate of 6.0% per annum and are due in 2003.

5. Investment Portfolio

The book value and the estimated fair value (market value) of the investments are:

	2002				2001			
	Book Value	Estimated Fair Value	Average Term to Maturity (years)	Actual Market Rate of Return	Book Value	Estimated Fair Value	Average Term to Maturity (years)	Actual Market Rate of Return
Cash and Short-Term Investments	$ 36,770	$ 36,770	0.1	2.9%	$ 38,038	$ 38,038	0.1	5.2%
Bonds								
Government of Canada	112,758	117,782	–	–	140,826	144,745	–	–
Provincial	64,614	68,936	–	–	76,406	79,073	–	–
Corporate	93,630	96,749	–	–	106,845	109,009	–	–
	271,002	283,467	11.3	8.9%	324,077	332,827	9.3	8.3%
Mortgages	3,823	3,387	0.8	3.2%	8,167	7,889	1.5	7.0%
Real Estate	40,555	44,222	–	12.1%	40,193	42,599	–	15.3%
Equities								
Canadian	146,971	149,484	–	(7.2%)	181,032	153,878	–	(4.3%)
U.S.	97,472	89,995	–	(17.6%)	51,408	59,377	–	0.7%
Europe, Australia and Far East	112,988	74,612	–	(15.6%)	120,448	101,664	–	(11.7%)
Emerging markets	11,166	10,526	–	(6.8%)	8,480	8,019	–	(0.2%)
	368,597	324,617	–	(11.3%)	361,368	322,938	–	(6.6%)
Total	720,747	$ 692,463	–	(1.9%)	771,843	$ 744,291	–	1.9%
Deferred realized gains	(8,113)				(59,312)			
Net Book Value of Investments	$ 712,634				$ 712,531			

While the net book value of the investment portfolio exceeded the estimated fair value of the portfolio at December 31, 2002, management believes that this is a temporary decline in estimated fair value.

Reconciliations of the changes for the year in the deferred unrealized and realized gains (losses) balances are as follows:

	2002	2001
Deferred Unrealized (Losses)		
Balance at beginning of year	$ (27,552)	$ (3,684)
Unrealized net losses for the year	(6,494)	(25,854)
	(34,046)	(29,538)
Amortization during year	5,762	1,986
Balance at end of year	$ (28,284)	$ (27,552)
Deferred Realized Gains (Losses)		
Balance at beginning of year	$ 59,312	$ 79,304
Realized net gains (losses) for the year	(34,473)	8,509
	24,839	87,813
Amortization during year	(16,726)	(28,501)
Balance at end of year	$ 8,113	$ 59,312
Investment Income		
Investment income was derived from the following sources:		
Cash and short-term investments	$ 319	$ 1,810
Bonds	16,628	19,724
Mortgages	519	673
Real estate	2,936	3,225
Canadian equities	2,585	2,415
Foreign equities	2,890	3,137
Amortization of deferred unrealized losses	(5,762)	(1,986)
Amortization of deferred realized gains	16,726	28,501
Loan interest	(22)	(183)
Expenses	(2,978)	(3,246)
Investment income	$ 33,841	$ 54,070

Based on the 7.0% discount rate (2001 – 7.0%) used to actuarially determine the benefit liabilities, the required investment return on average investment assets is $51.2 million (2001 - $50.6 million). Total investment income of $33.8 million (2001 - $54.1 million) was below the actuarial requirement by $17.4 million (2001 - $3.5 million in excess of the actuarial requirement). The analysis of investment income presented in the Statement of Operations has been disclosed for informational purposes. This provides a comparison of the return on investments required to support benefit liabilities to the actual returns.

Market Risk

The WCB invests in publicly and privately traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The WCB does not use derivative financial instruments to alter the effects of these market changes and fluctuations.

Credit Risk Management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. Of the fixed income assets in the investment portfolio, 97% (2001 - 97%) have at least an A credit rating. The WCB does not anticipate that any borrowers will fail to meet their obligations.

Securities Lending

The WCB may lend, for fee income, any of its investments to third parties, provided the loans are secured by cash or readily marketable securities having a market value of at least 105% of the market amount of the investment instruments borrowed. As of December 31, 2002 secured loans amounted to $34.3 million (2001 - $25.7 million).

Foreign Exchange Risk Management

The WCB has certain investments denominated in foreign currencies. During 2002 the WCB did not undertake hedging strategies for the currency risk of foreign investments and currency fluctuations influenced short-term returns. These fluctuations are not expected to affect the long-term position of the investment portfolio.

Interest Rate Risk Management

Fluctuations in interest rates are managed by actively controlling the duration of the fixed income portfolio. The table at the beginning of this note discloses the remaining term to maturity of the WCB's fixed term investments.

6. Deferred Assessments

Deferred assessments represent the WCB's estimate of premiums which will be received in the future from the self-insured employers to fund the future costs of existing claims that have arisen from their employees. The deferred assessments may be secured by irrevocable letters of credit or other suitable forms of guarantee. The changes in deferred assessments were as follows:

	2002	**2001**
Balance at beginning of year	$ 20,872	$ 23,348
Change in future costs	(164)	(253)
Change in pension related transactions	958	(1,162)
Interest allocation	(767)	(1,061)
Net change in deferred assessments	27	(2,476)
Balance at end of year	$ 20,899	$ 20,872

7. Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	$ 10,742	$ 8,217	$ 2,525	$ 2,811
Systems development projects	6,117	3,441	2,676	2,892
Furniture, fixtures and equipment	1,901	1,655	246	369
Building renovations	3,142	1,431	1,711	1,999
Building and land	5,526	200	5,326	4,975
	$ 27,428	$ 14,944	$ 12,484	$ 13,046

During the implementation of a new capital asset tracking system, a complete inventory of the WCB's capital assets was prepared. This process determined that a large number of fully depreciated assets were no longer in service. As a result, $8.8 million of computer equipment, systems development projects and furniture, fixtures and equipment, and the offsetting accumulated depreciation were removed from the accounting records.

8. Payables and Accrued Liabilities

	2002	2001
Accounts payable and accrued liabilities	$ 3,067	$ 2,496
Claimant annuity program	5,229	4,255
Community Initiatives and Research Program grants	2,067	1,941
Deposits from self-insured employers	1,379	1,333
Employee pension plan liability	133	0
Employee vacation entitlements	2,067	1,244
Other payables	1,166	1,172
Sick leave plan	709	455
	$ 15,817	$ 12,896

9. Employee Future Benefits

The WCB has a defined benefit plan that provides pension benefits to employees based on length of service and highest average earnings. The WCB also has a benefit plan that provides for a payment of accumulated sick leave credits to employees that meet established criteria upon termination or retirement.

Information about the WCB's employee benefit plans as at December 31, is as follows:

	Pension Plan		Sick Leave Plan	
	2002	2001	2002	2001
Fair value of plan assets	$ 43,036	$ 44,033	$ –	$ –
Accrued benefit obligation	50,514	45,267	1,973	1,652
Plan deficit	$ (7,478)	$ (1,234)	$ (1,973)	$ (1,652)
Accrued benefit asset (liability)	$ (133)	$ 93	$ (709)	$ (455)

The WCB determined an expected future benefit (the transitional asset) of $675 thousand existed at January 1, 2000, the date of adoption of the new accounting policy. This amount is being amortized to operations over 15 years. An unamortized balance of $540 thousand remained at December 31, 2002.

While the obligation to pay sick leave credits is unfunded in the sense that the WCB does not hold segregated assets to fund the obligation, the WCB itself has sufficient assets to support its liabilities.

The significant actuarial assumptions adopted in measuring the WCB's accrued benefit obligations are:

	Pension Plan		Sick Leave Plan	
	2002	2001	2002	2001
Discount rate	7.0%	7.0%	7.0%	7.0%
Expected long term rate of return on plan assets	7.5%	7.5%	7.0%	7.0%
Rate of compensation increase	5.0%	5.0%	2.75%	2.75%
Expected average remaining service life (in years)	15	15	15	15

Effective January 1, 2003, the assumption for the expected long term rate of return on pension plan assets was reduced to 7.0%.

Other information about the WCB's employee benefit plans is as follows:

	Pension Plan		Sick Leave Plan	
	2002	2001	2002	2001
Plan expense	$ 1,676	$ 1,346	$ 307	$ 307
Employer contributions	1,450	1,383	–	–
Employee contributions	1,216	1,165	–	–
Benefits paid by the plan	1,431	1,140	53	35

10. Benefit Liabilities

Benefit liabilities are determined in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefit payments reflects management's long-term estimates of economic and actuarial assumptions and methods, which are based upon past experience and modified for current trends. As these assumptions may change over time to reflect underlying conditions, it is possible that such changes could cause a material change in the actuarial present value of the future payments. The fair value for benefit liabilities is not readily determinable.

The key actuarial assumptions used to value the benefit liabilities are as follows:

	2002	**2001**
Future investment earnings	7.0%	7.0%
Benefits indexed to CPI	3.0%	3.0%
Wage indexation	4.0%	4.0%
Healthcare benefits indexation	4.0%	4.0%

An analysis of the components of and changes in benefit liabilities is as follows:

	2002						**2001**
	Short-Term Disability	**Long-Term Disability**	**Survivor Benefits**	**Healthcare Benefits**	**Rehabilitation Services**	**Total**	**Total**
Balance at beginning of year	$ 78,270	$360,629	$150,081	$ 75,674	$ 18,477	$683,131	$675,084
Add: Claim costs incurred							
Current year	62,368	(1,157)	7,745	24,159	5,418	98,533	103,770
Prior years	(13,533)	38,944	4,946	4,793	(1,773)	33,377	45,959
	48,835	37,787	12,691	28,952	3,645	131,910	149,729
Less: Claim payments made							
Current year	22,291	86	253	9,929	28	32,587	32,130
Prior years	25,154	42,133	14,096	19,390	3,716	104,489	109,552
	47,445	42,219	14,349	29,319	3,744	137,076	141,682
Balance at end of year	$ 79,660	$356,197	$148,423	$ 75,307	$ 18,378	$677,965	$683,131

The liability for short-term disability claims is an estimate of future wage loss payments for claims that have yet to medically plateau or stabilize. The long-term disability liability includes estimated future wage loss payments for those claims that have medically plateaued and stabilized, and estimated future pension payments. The liability for survivor benefits is composed of estimated future pension payments and other services provided to survivors of those who have lost their lives as a result of workplace accidents. Healthcare liabilities are the estimated future medical costs for existing claims. The liability for rehabilitation services is composed of the estimated cost of future rehabilitation services which are supplied externally to the WCB.

Included in long-term disability is the WCB's liability, in the amount of $60.4 million (2001 - $60.4 million) for the future cost of claims relating to certain latent occupational diseases which may have occurred in the current year or prior years, but which may not be recognized and reported for a number of years due to the extended latency periods of such diseases.

Also included in benefit liabilities is a provision in the amount of $35.3 million (2001 - $40.0 million) for the future cost of administering existing claims.

11. Fund Balances

The Rate Stabilization Fund balance protects the WCB from the risk that a catastrophic event, causing either an increase in the value of the liabilities or a decrease in the value of assets, could unfairly burden Class E employers and potentially cause the accident fund balance to become unfunded or prompt the WCB to consider exceptional increases in assessment rates. The fund's target balance is based on an adapted formula – the Minimum Continuing Capital and Surplus Requirements – from the Office of the Superintendent for Financial Institutions, Canada (OSFI). Based on this formula, the fund's target balance at the end of 2002 was $68.9 million (2001- $68.0 million). The actual balance for 2002 was $55.2 million (2001 - $55.1 million).

The Accident Fund balance protects the WCB and its stakeholders from general business risks and is collectively attributable to the Class E employers. The fund's target balance is established using a modified OSFI formula. The target balance for the fund based on this formula was $40.5 million at the end of 2002 (2001 - $41.0 million). The actual balance for 2002 was $20.0 million (2001 - $20.0 million).

12. Operating Expenses

	2002	2001
Salaries, employee benefits and training	$ 29,857	$ 28,718
Information technology service fees	1,821	1,915
Professional fees	779	1,119
Occupancy costs	1,802	1,656
Office supplies and services	1,219	1,322
Communications	1,014	970
Donations	90	88
Amortization of capital assets	3,501	3,784
Administration expenses	40,083	39,572
Recoveries from the Government of Canada	(614)	(592)
Community Initiatives and Research Program grants	1,000	1,000
Appeal Commission	1,062	986
Prevention and Worker Advisor (Note 13)	6,400	6,423
Total operating expenses	$ 47,931	$ 47,389

Of the total operating expenses, $3.0 million (2001 - $3.0 million) is allocated to the self-insured employers based on the current year's transaction volumes.

The WCB administers the Government Employees Compensation Act program for the Government of Canada. The operation of this program is reflected only to the extent of the recoveries of administration expenses.

13. Related Party Transactions

Pursuant to *The Workplace Safety and Health Act of Manitoba*, the Province may pay the expenses incurred in the administration of that Act out of the consolidated fund and may, subsequently, recover such portion as it may determine from the class funds under *The Workers Compensation Act of Manitoba*. For 2002, the amount charged to operations under this provision is $5.5 million (2001 - $5.6 million).

Also, under Section 84.(1) of *The Workers Compensation Act of Manitoba*, the Province may pay the costs incurred in respect of worker advisors and may recover them from the class funds. For 2002, the amount charged to operations under this provision is $0.9 million (2001 - $0.8 million).

In addition to the legislated obligations referred to above, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various provincial government controlled ministries, agencies and Crown corporations with which the WCB may be considered related. This includes the provision of assistance, in the form of medical opinions and appeal services, for the Province of Manitoba relating to criminal injury claims. The provincial government is also a self-insured employer under *The Workers Compensation Act of Manitoba*. Account balances resulting from these transactions are included in the financial statements and are settled on normal trade terms.

Included in the WCB's investment portfolio are guaranteed debentures issued by the Province of Manitoba, in the amount of $13.9 million (2001 - $18.4 million).

14. Auditor Independence

The WCB has engaged Grant Thornton LLP, the external auditor, to provide advisory services that assess vocational rehabilitation plans for claimants. The value of these non-audit services provided by Grant Thornton LLP was $4 thousand for the year ended December 31, 2002.